AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER DR. JOAQUIN ARAMBULA, CHAIR

WEDNESDAY, MARCH 7, 2018
2:30 P.M. - STATE CAPITOL, ROOM 437

ITEMS TO BE HEARD

LIST OF PANELISTS IN ORDER OF PRESENTATION

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: REVIEW OF FUNDING FOR INDEPENDENT LIVING CENTERS

- Joe Xavier, Director, Irene Walela, Deputy Director, and Kelly Hargreaves, Chief Deputy Director, Department of Rehabilitation
- Luis Bourgeois, Department of Finance
- Ginni Bella, Legislative Analyst's Office
- Public Comment

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 1: DEVELOPMENTAL CENTER CLOSURES UPDATE AND ASSOCIATED ADVOCACY REQUEST

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Dwayne LaFon, Deputy Director, Developmental Centers Division, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Representative, Disability Rights California
- Public Comment

ISSUE 2: LAO SUPPLEMENTAL REPORT AND ASSOCIATED ADVOCACY REQUESTS

- Sonja Petek, Legislative Analyst's Office
- Assemblymember Devon Mathis
- Jordan Lindsey, Lanterman Coalition
- Representative, Service Employees International Union
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Public Comment

ISSUE 3: OVERSIGHT OF SAFETY NET PLAN IMPLEMENTATION AND REVIEW OF COMMUNITY PLACEMENT PLAN FUNDS

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Representative, Disability Rights California
- Representative, Disability Voices United
- Public Comment

ISSUE 4: REGIONAL CENTER RATES, PENDING STUDY, HEALTH AND SAFETY WAIVER PROCESS, AND ASSOCIATED REQUESTS

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, and Brian Winfield, Deputy Director, Community Services Division, Department of Developmental Services
- Assemblymember Chris Holden
- Representative, The Arc and United Cerebral Palsy California Collaboration
- Representative, Association of Regional Center Agencies
- Barry Jardini, Government Affairs Director, California Disability Services Association
- Representative, Disability Rights California
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 5: OVERSIGHT OVER DISPARITIES FUNDING AND RESPITE RESTORATION

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, and Brian Winfield, Deputy Director, Community Services Division, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Representative, Disability Rights California
- Public Comment

ISSUE 6: GOVERNOR'S PROPOSAL ON UNIFORM HOLIDAY SCHEDULE

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Representative, The Arc and United Cerebral Palsy California Collaboration
- Representative, Association of Regional Center Agencies
- Representative, Disability Rights California
- Public Comment

ISSUE 7: GOVERNOR'S BUDGET CHANGE PROPOSALS FOR DDS HEADQUARTERS

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 8: ADVOCACY PROPOSAL ON RESTORATION OF SOCIAL RECREATION AND CAMP SERVICES

- Representative, Association of Regional Center Agencies
- Representative, The Arc and United Cerebral Palsy California Collaboration
- Representative, Disability Rights California
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 9: ADVOCACY PROPOSAL ON RAISING ELIGIBILITY AGE FOR DDS SERVICES

- Senator Scott Wilk
- Carlene Holden, Easter Seals Southern California
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 10: ADVOCACY PROPOSAL TO FUND BEST BUDDIES

- Jessica Brooks, California State Director, Best Buddies
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 11: ADVOCACY REQUEST REGARDING COMMUNITY-BASED VOCATIONAL DEVELOPMENT SERVICES

- Assemblymember Jim Frazier
- Barry Jardini, Government Affairs Director, California Disability Services Association
- Will Sanford, Executive Director, Futures Explored
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 12: ADVOCACY REQUEST ON ASSESSING NEEDS IN THE DDS SYSTEM

- Assemblymember Tom Lackey
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ITEMS TO BE HEARD

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: REVIEW OF FUNDING FOR INDEPENDENT LIVING CENTERS

PANEL

- Joe Xavier, Director, Department of Rehabilitation (DOR)
- Irene Walela, Deputy Director, DOR
- Kelly Hargreaves, Chief Deputy Director, DOR
- Justin Freitas, Department of Finance
- Ginni Bella, Legislative Analyst's Office
- Public Comment

BACKGROUND

The Governor's budget proposes total spending for the Department of Rehabilitation (DOR) of $460 million ($64.6 million General Fund) for 2018-19, representing a slight increase from the current year. DOR works in partnership with consumers and other stakeholders to provide services and advocacy resulting in employment, independent living, and equality for individuals with disabilities.

Recent DOR Changes. DOR's vocational rehabilitation (VR) program has changed in two primary ways as a result of continued implementation of the federal Workforce Innovation and Opportunity Act (WIOA):

- Available resources have been reduced for "traditional vocational rehabilitation," requiring DOR to set aside at least fifteen percent, or approximately $45 million, of the VR grant to better prepare potentially eligible as well as eligible students between the ages 16 through 21 for post-secondary employment and;

- With the provision of the new services to youth, DOR anticipates serving more students than ever before.

DOR's independent living program has changed as a result of continued implementation of WIOA which limits the use of the independent living VIIB grant for administration costs to 5 percent. For 2017-18, DOR was able to use social security reimbursements to supplement the costs that support the administration of the independent living program.

There are no other major changes proposed for DOR in the Governor's Budget.

REVIEW OF FUNDING FOR ILCS

The DOR funds, administers and supports 28 non-profit independent living centers (ILCs) in communities located throughout California. Independent Living Services are consistent with the provisions of Title VII of the federal Rehabilitation Act to promote a philosophy of independent living, including consumer control, peer support, self-help, self-determination, equal access, and individual and system advocacy, in order to maximize the leadership, empowerment, independence, and productivity of individuals with disabilities, and the integration and full inclusion of individuals with disabilities into the mainstream of American society. ILCs provide these services to consumers of all ages.

ILC's receive government funding from two sources: Title VII (c) funds from the U.S. Department of Health and Human Services, under the Administration for Community Living (ACL); and Title VII (b) funds from the Social Security Reimbursement Program Income through the DOR. All ILC government funding is used to provide eight mandated services:

1. Information and referral (federally mandated)
2. Peer support (federally mandated)
3. Advocacy (federally mandated)
4. Independent living skills training (federally mandated)
5. Transition services (NEW federal mandate)
6. Assistive Technology (in California)
7. Housing (in California) – referrals provided
8. Personal Assistance Services (in California) – referrals and technical assistance provided, not a duplicate of IHSS services

2017 BUDGET INVESTMENT

The 2017 Budget included a $705,000 augmentation that was provided originally in the 2016 Budget, but was suspended for that year, for three of the ILCs, including the Disability Resources Agency for Independent Living (DRAIL), serving Amador, Calaveras, Tuolumne, Mariposa, Stanislaus, and San Joaquin Counties; the Independent Living Center of Kern County (ILCKC), serving Kern County; and Placer Independent Resources Services, Inc., serving Placer, El Dorado, and Alpine Counties.

Through data review and analysis and phone consultation with the Executive Directors of the above listed ILCs, the DOR determined that the results attributed to the general fund augmentation varied by geographic region.

Comparing data from 2015-16 (before augmentation) and 16-17 (the first year of augmentation) the DOR found that:

- Aggregated together, the three Centers realized increases in three areas:
    - Number of individuals with disabilities served increased by 150 from 1254 to 1404;

- Number of individuals who met all identified independent living goals increased by 77 from 366 to 443; and,
- Number of provided community service hours increased by 1506 from 3175 to 4681.

ILC	Fiscal Year	Total Served	Total Met All Goals	Total Community Service hours
DRAIL	15-16	325	98	598
DRAIL	16-17	508	246	1050
PIRS	15-16	441	197	1243
PIRS	16-17	430	150	1136
ILCKC	15-16	488	71	1334
ILCKC	16-17	466	47	2495

Based on the continuing augmentation, the three Centers increased personnel, operating/indirect cost allocations, and expanded available space or locations. The following are examples from each Center.

- Placer Independent Resource Services (PIRS) - in Auburn - invested in information technology personnel and planning to support a new location in Placerville.

- Disability Resource Agency for Independent Living (DRAIL) – in Modesto – hired five additional staff and cleared their list of individuals waiting for services.

- Independent Living Center of Kern County (ILCKC) – in Bakersfield - hired two additional staff, increased accounting support to full time, complied with new minimum wage requirements for staff, and expanded office space.

OUTLOOK FOR ILC FUNDING

The 28 California Independent Living Centers (ILC's) currently receive approximately $22 million annually from state and federal sources, for the provision of core ILC services.

The Independent Living Network (Network), which consists of the California Foundation of Independent Living Centers (CFILC), the State Independent Living Council (SILC), the 28 ILCs, and the Department of Rehabilitation (DOR), recognizes that these collective funds are currently not distributed via a formula that treats all Centers equitably. The Network is engaged in ongoing discussions to develop an equitable funding formula.

In the course of these conversations, the IL Network has broadly expressed agreement that:

- Equal distribution is not the same as equitable distribution.
- Base, population, and geography are critical factors in a funding formula.
- Any formula should reflect the principle of "do no harm", i.e. no Center should get a reduction as a result of a new funding formula.
- A new funding formula should also address periodic Cost of Living Adjustments (COLA) and/or local cost of living factors.

The following is a concept, based on input from the Network developed by the DOR as technical assistance, for an equitable funding formula. The concept is based on easily quantified factors, such as population and size of service area, and a base amount for each ILC. The proposed concept is based upon the formula that was developed and agreed upon for the distribution of American Recovery and Reinvestment Act (ARRA) funds in 2009.

- The funding formula concept considers the aggregate of all public funds specifically for IL mandated core services and should not consider other private funds or non-IL public funds that may be specific to a Center.
- 40% of the aggregate funds could be allocated as a base. The amount for each ILC is established by dividing the total base by the number of ILCs. This creates a self-adjusting base that readily accounts for large increases/decreases in catchment areas or available funds.
- 50% of the aggregate funding could be allocated based on the ratio of the population within in each ILC catchment area to the total state population.
- 10% of the aggregate funding could be allocated based on geography of catchment area, as a ratio of the total square miles of the catchment area to the total size of the state.
- A percentage of each allocation could be further specifically directed to targeted initiatives, such as assistive technology (AT) or youth services.
- For example, the IL Network may decide that 10% of each Center's award must be directed to AT (instead of a set dollar amount, like the $70k per center currently allocated, which does not change over time or reflect local needs)
- For funds that are not allocated at the state level, such as VIIC grants, and thus cannot be adjusted directly based on a state funding formula, the equitable allocation will be achieved by adjusting state funds as needed to achieve the equitable allocation amount.
- For example, if the equitable allocation amount for a center is $1,000 and their VIIC award is $250, then the state award would be $750.

The DOR reports that this conversation regarding the future of ILC funding is continuing.

STAFF COMMENT

Staff will continue to review the work toward a more equitable distribution of funding among the ILCs. The Subcommittee may wish to ask for the DOR to actively update legislative colleagues on the progress of these conversations in the near and longer-term.

Staff Recommendation:

Hold open the DOR budget pending action at the May Revision hearings.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 1: DEVELOPMENTAL CENTER CLOSURES UPDATE AND ASSOCIATED ADVOCACY REQUEST

PANEL

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Dwayne LaFon, Deputy Director, Developmental Centers Division, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Representative, Disability Rights California
- Public Comment

DEPARTMENT OVERVIEW

The Governor's Budget includes $7.3 billion total funds ($4.4 billion GF) for the Department of Developmental Services (DDS) in 2018-19; a net increase of $368 million ($248.3 million GF) from the updated 2017-18 budget, or a 5.3 percent total fund increase. DDS is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that approximately 330,000 persons with developmental disabilities receive the services and support they require to lead more independent and productive lives and to make choices and decisions about their lives.

Given that the declining cost to run closure DCs has lowered the overall budget for state-run facilities and services, the year-over-year increases are nearly all due to increasing costs in the community services program. Growth in the number of people served in the community services program and growing costs associated with implementing state minimum wage increases are the primary drivers of these year-over-year increases. Federal funding makes up about 40 percent of the DDS budget.

The Lanterman Act defines a developmental disability as a "substantial disability" that starts before the age of 18 and is expected to continue indefinitely. This definition includes cerebral palsy, epilepsy, autism, intellectual disabilities, and other conditions closely related to intellectual disabilities that require similar treatment (such as traumatic brain injury). Unlike most other public human services or health services programs, individuals receiving services through DDS need not meet any income or qualification criteria other than a diagnosis of a developmental disability.

California provides services and supports to individuals with developmental disabilities in two ways. The vast majority of people live in their families' homes or other community settings and receive state-funded services coordinated by 21 non-profit corporations known as regional centers (also called RCs in this agenda). In contrast, a small number of individuals live in three state-operated developmental centers (DCs) and one state-operated community facility. The number of individuals with developmental disabilities in the community served by regional centers (consumers) is expected to increase from 317,837 in the current year, to 333,024 in 2018-19. The number of individuals living in state-operated residential facilities is estimated to be 537 on June 30, 2018, and 361 on June 30, 2019.

BACKGROUND ON DC CLOSURES

At the start of 2017-18, DDS served about 800 individuals in three DCs, which are licensed and certified as general acute care hospitals, and one state-run community facility. It is also in the process of developing a state-run community-based "safety net," which includes smaller five-person homes and mobile crises teams. In 2015, the administration announced its plan, which the Legislature approved, to close the state's remaining DCs (which are referred to as "closure DCs"), Sonoma DC in Sonoma County by the end of 2018, Fairview DC in Orange County by the end of 2021, and the general treatment area of Porterville DC in Tulare County by the end of 2021. At the start of 2017-18, 534 residents lived at closure DCs.

DDS will continue to operate a secure treatment program at Porterville DC, which, by statute, can serve up to 211 people, all of whom have been deemed a safety risk and/or incompetent to stand trial. DDS also runs Canyon Springs Community Facility in Riverside County, which can house up to 63 people at a time.

DDS currently operates two five-bed acute crisis units, one at Sonoma DC and one at Fairview DC, which serve anyone in the DDS system undergoing an acute crisis. Because these facilities will no longer be available once the DCs close, DDS is developing two five-bed homes in the Napa area and two five-bed homes on the Fairview DC property (a fifth home will open in 2019-20 in Northern California) to address crisis needs. The state will also operate two mobile crisis units to respond to consumers in crisis at their current residence. The "safety net" is discussed in more depth under Issue 3 of this agenda.

The Legislative Analyst Office (LAO) notes that while DDS previously referred to all its state-run programs as DCs, its new nomenclature—State-Operated Residential and Community Facilities—reflects the changing role of the state in developmental services—from delivering its state-staffed services primarily in institutional DC settings to delivering services in more varied ways. This still includes operating two state-run facilities (Canyon Springs Community Facility and the secure treatment program at Porterville DC), but also includes providing community-based, but state-operated, safety net and crisis services.

The budget for these state-run programs is expected to decline nearly 25 percent, from about $500 million (all funds) in 2017-18 to about $375 million in 2018-19. General Fund expenditures will decline approximately 20 percent—from about $365 million to about $290 million over this period. The year-over-year reductions are primarily due to DC closure activities. The budget reflects a substantial reduction in DC staff from 2017-

18 to 2018-19, or about 830 positions, as more and more DC residents transition to the community.

CURRENT YEAR DYNAMIC

The transition of DC residents from closure DCs to the community appear on track for 2018-19. The Governor's budget has revised downward its estimate for the number of placements in 2017-18, primarily due to 20 fewer residents moving from Fairview DC than previously estimated. The consumers who currently live at closure DCs, especially Fairview DC, tend to be more medically fragile or have more intensive behavioral treatment needs, on average, than residents who moved in previous years. DC and RC staff work closely with the consumers, their families, and with community-based service providers to ensure successful community placements. Sometimes this means changing the planned date of transition.

Despite this current-year setback, DDS remains on track with scheduled DC closure dates. At Sonoma DC, it plans to place 173 residents in 2017-18 (as of December 2017, it had placed more than 80 consumers) and the final 83 in the first half of 2018-19. Fairview DC and the general treatment area of Porterville DC are scheduled to close at the end of 2021, but the Governor's budget estimates the populations will be below 100 at each by the end of 2017-18 and down to 26 and 48, respectively, by the end of 2018-19.

SONOMA DC TO CLOSE IN DECEMBER

The last resident will move from Sonoma DC, which first opened in 1891, in December 2018. DDS will continue to incur what are called "warm shutdown" costs through at least the end of 2018-19. These costs include maintenance of the buildings and grounds, basic heating and electrical, record archival, disposal of assets, and site security.

The Legislature will soon be faced with the decision of what to do with the state- owned property that houses Sonoma DC. The Governor's budget does not reflect any assumptions about this issue. The Legislature's options include, for example, transferring the land to another state department; selling the land to a local government, affordable housing developers, or to a private entity; or retaining the property and leasing out various parcels. Options in this course will be discussed in more depth under Issue 2 of this agenda.

FEDERAL FUNDS UPDATE FOR FAIRVIEW AND PORTERVILLE

The state receives federal funding for DCs from Medicaid. Several years ago, the California Department of Public Health, the state department responsible for licensing and certification at DCs, found the intermediate care facilities for the developmentally disabled (ICF/DD) units at all three DCs to be out of compliance with federal certification requirements. While the ICF/DD units at Sonoma DC were decertified and lost federal funding in 2016, ICF/DD units at Fairview DC and the general treatment area at Porterville DC remain certified through a settlement agreement with the federal government. Per the terms of the agreement, the units must be recertified each year and certification can be revoked at any time. The units at both DCs were recently recertified for 2018 and will thus continue to receive federal funding through December 2018.

The Governor's budget assumes the ICF/DD units will be recertified in 2019 and federal funding will continue for the balance of 2018-19. DDS intends to have moved most of the ICF/DD residents into the community by the end of 2019, the time at which federal funding for these units is scheduled to end.

DC STAFF MOVEMENT

As DDS continues to place DC residents in the community, it is also reducing the number of DC staff. This happens in several ways. First, the Legislature authorized a "community state staff program (CSSP)," which allows DDS to contract with a community-based service provider to hire a DC employee for work in the community. The employee remains a state employee and the service provider covers the full cost of state employee compensation and benefits. The benefit of CSSP is that experienced employees continue to work with DDS consumers, sometimes the individual consumers they served at the DCs. This helps smooth the transition to the community for the former DC residents. The incentive for the employee is retaining state employee status and benefits. CSSP contracts currently last for one year (new contracts will last for two years beginning July 2018), but can be renewed. Currently, 49 former DC employees are employed under CSSP contracts. DDS is authorized to contract for another 220 positions through this program.

Second, some DC employees transfer to another state department. For example, in the final three months of 2017, 130 employees transferred to other state departments, such as the Department of State Hospitals and the California Department of Corrections and Rehabilitation. Third, some DC employees retire. Fourth, others elect to resign from state service and pursue employment opportunities elsewhere, which could include working directly for a community service provider. For employees who retire or resign from state service, the Governor's budget requests $4.7 million General Fund in 2017-18 and $5.5 million General Fund in 2018-19 to compensate them for unused leave balances.

RELATED DISABILITY RIGHTS CALIFORNIA (DRC) PROPOSAL

Disability Rights California (DRC) is California's statutorily identified consumer protection and advocacy agency. DRC has weighed in on the DC closures and urges consideration of a limit to the time the DDS may take to determine that an individual cannot be safely served by a DC. Current law restricts developmental center admissions to individuals who are in acute crisis and individuals who have been found incompetent to stand trial. In May of 2017, DDS promulgated regulations to govern the process by which it exercises its authority to deny an individual's admission to a DC on the basis that the individual cannot be safely served.

DRC states that it appreciates the greater transparency that these regulations bring to the process, including the Department's commitment to identify alternative placement options when it denies admission. However, DRC is gravely concerned that the Department, through these regulations, has given itself between five and six months to make its "safe-to-serve" determination, not including the time it might take for alternative placement options to take effect. During this time, individuals are either languishing in jail despite a finding of incompetency or remain in acute crisis without proper services. DRC therefore proposes a 21-day time limit by when the Department must make a determination about whether or not it will deny admission.

STAFF COMMENT

Staff recommends consideration of the DRC request and that DDS be asked to respond to the proposal in the course of the hearing.

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 2: LAO SUPPLEMENTAL REPORT AND ASSOCIATED ADVOCACY REQUESTS

PANEL

The LAO is asked to please present briefly on their recent report entitled "Sequestering Savings from the Closure of the Developmental Centers," summarized under this item.

- Sonja Petek, Legislative Analyst's Office
- Assemblymember Devon Mathis
- Jordan Lindsey, Lanterman Coalition
- Representative, Service Employees International Union
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Public Comment

LAO SUPPLEMENTAL REPORT

The requires the Legislative Analyst's Office to analyze a proposal about sequestering potential savings from the closure of Developmental Centers (DCs) and keeping the savings in the Department of Developmental Services (DDS) community services system. The report addresses that requirement. In the report, the LAO discusses the two main potential sources of savings—(1) net operational savings and (2) increased revenues from the sale or leasing of DC properties.

State Closing Most of the Remaining DCs. DDS is in the process of closing three DCs—Sonoma DC by the end of 2018 and Fairview DC and the general treatment area at Porterville DC by the end of 2021. From 2017-18 through final closures, DDS will transition 534 remaining DC residents to the community. While DDS will continue to run Canyon Springs Community Facility and a secured treatment program at Porterville DC, the imminent closures mean that nearly all DDS consumers—more than 315,000 individuals with developmental disabilities—will be served in community-based settings.

DC Closures Have Led to Community Development Costs. The state has incurred significant costs over time (in the low hundreds of millions of dollars) to develop new housing and other community-based programs to accommodate the special needs of individuals transitioning from DCs into the community. It has also incurred costs (about $20 million) to develop community-based crisis and safety net services. DCs have traditionally served as the "safety net" for DDS consumers in crisis. Once closed, DCs will no longer fill this role.

Net Operational Savings From DC Closures. DC costs are very expensive, largely due to the substantial fixed costs of running and maintaining the facilities. While the state will reduce its costs notably by closing DCs, it will incur significant new costs to provide services to former DC residents in the community.

Net Operational Savings Could Reach $100 Million Annually. The LAO estimates that once DC closure activity is complete the state will save about $100 million annually (in today's dollars). The 2017-18 General Fund costs at closure DCs total about $200 million. This is the amount the state will avoid spending once DCs are fully closed.

New Ongoing Annual Costs in the Community. Once closures are complete, the LAO estimates the state will incur annual General Fund costs of about $75 million to serve the 534 DC residents moving to the community. The LAO estimates the state will also spend about $25 million General Fund annually to provide community-based safety net services.

Estimated Annual Net Operational Savings After DC Closures
General Fund (In Millions of 2017-18 Dollars)

Reduced spending at closure DCs	$200
Less:	
DDS cost of community services for former DC residents	-60
DDS cost to operate/provide safety net and crisis services	-25
Costs in other state departments[a]	-15
Total Estimated Annual Net Operational Savings	**$100**

[a]Costs include the state portion of Medi-Cal, Supplemental Security Income/State Supplemental Payment, and In-Home Supportive Services payments.

DCs = Developmental Centers and DDS = Department of Developmental Services.

This amount could vary significantly depending on the specific needs of the former DC residents once transitioned to the community. It is also important to note this amount does not include the significant one-time costs to develop community-based safety net services and housing and programs for consumers moving from DCs in the intervening years between 2017-18 and the completion of closures.

Potential Revenues From DC Closure Properties. The other potential source of savings that could result from DC closures is the sale or repurposing (specifically leasing) of DC closure properties.

Selling DC Properties. The Legislature could decide to sell individual parcels or entire DC properties to generate revenue for DDS. To do so, it would likely have to bypass the typical process for disposing of surplus state properties. Selling properties would reduce the state's liability at these locations and generate an influx of revenue, but the valuation and sale potential of each DC depend on its unique characteristics—such as location, infrastructure, and local zoning rules. Aging infrastructure at Sonoma DC, for example, would adversely affect its valuation and sale potential.

Leasing DC Properties. The Legislature could instead allow DDS to lease portions of the DC properties to private entities to generate an ongoing source of revenue for DDS. There is precedent for DDS leasing property for the development of mixed-income housing—Harbor Village, on Fairview DC grounds, includes more than 550 housing units, of which 31 percent are occupied by DDS consumers. A second housing development is also in the planning phase at Fairview DC. Using leases in this way increases available affordable housing—which could be a legislative policy objective. However, if the terms of the Harbor Village agreement serve as a guide, it could take many years before such an arrangement generates revenue for DDS. In addition, the location of each DC, coupled with local zoning rules and preferences, could affect the viability of this option. For example, the location of Sonoma DC may not be ideal for housing DDS consumers because it is not in close proximity to other community-based services.

LAO Bottom Line. Each of the closure DCs has unique characteristics that will affect the state's ability to generate revenues from the sale or leasing of properties. Sonoma DC and Fairview DC present the most fertile opportunities, but developing on these properties would require close collaboration with local governments. Developing mixed-income housing through a state lease would also require careful consideration of how DDS consumers would be integrated into the community.

Other Practical Implications for Legislative Consideration. While earmarking savings from DC closures could provide a potential source of dedicated funding for DDS, doing so constrains the ability of future Legislatures to make budgetary decisions. Regardless of its action on the proposal reviewed in this report, the Legislature and Governor retains has the choice to increase funding for DDS.

Should the Legislature decide to target savings for the DDS system, it would likely want to deposit the savings into a special fund and decide how the fund could be used. The LAO notes that it would be fiscally prudent to ensure any ongoing spending commitments align with ongoing sources of funding. In addition, the Legislature would benefit from requiring a comprehensive assessment of service gaps and related unmet funding requirements in the community services program to help guide the use of any additional resources provided for the program.

DDS REACTION TO THE REPORT

DDS states that it agrees with the LAO's statement that the savings are uncertain and difficult to quantify until the Department no longer has responsibility for the operation of the centers. DDS notes the following:

- As the LAO notes, estimating the costs from other state departments such as IHSS, SSI/SSP, and Medi-Cal is highly uncertain.

- The amounts estimated to serve the remaining 534 DC residents appears low. DDS estimates between $84 million GF and $90 million GF.

- The LAO notes that it did not include significant state investments for community resource development. The Department is continuing to evaluate components of the Safety Net, and additional resources may be required as part of that evaluation. The Department will continue to work with the DS Task Force to review and make recommendations to the Safety Net Plan.

ADVOCACY REQUESTS

The following advocacy proposals regarding this issue have been received by the Subcommittee:

- **The Lanterman Coalition**, composed of 24 advocacy organizations, has submitted a proposal to the Subcommittee, urging the Legislature to fund new affordable housing development for people with developmental disabilities (DD) using revenues associated with the three remaining developmental center properties. Given the housing needs in the state and in the DD community in particular, the Coalition proposes the creation of the Integrated Community Living (ICL) Fund within DDS, "to ensure these assets can continue to benefit Californians with IDD in the future."

  "The ICL Fund would serve as a repository if/when revenue is generated from new uses of the properties. The ICL Fund would be administered through an interagency agreement between DDS and HCD and would award available funds to finance capital costs for the development of new housing units for regional center clients. Applications for funds would be awarded using minimum criteria and would be distributed in such a manner as to maximize access to Low Income Housing Tax Credit projects for the target population, as well as to incentive the development of creative permanent supportive housing projects outside the LIHTC program that meet the unique needs of persons living with intellectual and developmental disabilities."

- **Assemblymember Devon Mathis** has submitted a letter in support of this concept to "capture any savings associated with the closure of the State's remaining [DCs] and transfer the funds to the Department of Housing and Community Development to fund new affordable housing development for people with developmental disabilities."

- **The Service Employees International Union (SEIU)** writes to request that DDS continue to control the DC assets and engage in long-term land leases, by which revenues would be put into a continuously-appropriated special fund to be used explicitly to benefit the developmental disabled community.

Staff Recommendation:

Hold open.

ISSUE 3: OVERSIGHT OF SAFETY NET PLAN IMPLEMENTATION AND REVIEW OF COMMUNITY PLACEMENT PLAN FUNDS

PANEL

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Representative, Disability Rights California
- Representative, Disability Voices United
- Public Comment

BACKGROUND

Safety Net Resources Approved in the 2017 Budget. DDS is developing community-based safety net and crisis services to replace and expand upon crisis services currently available at Sonoma DC and Fairview DC. One-time development costs totaled $21.2 million in 2017-18 (most of this from the General Fund). The Governor's budget proposes $13.2 million General Fund to operate four acute crisis homes and two mobile crises teams in 2018-19, an increase of $5.5 million over revised 2017-18 spending, when only two crisis units operated out of Sonoma and Fairview DCs. In addition, the Governor's 2018-19 budget assumes about $7 million General Fund in the RC POS budget to pay for services provided in six new vendor-operated safety net homes. Four of these homes will provide transitional services for DDS consumers with mental health diagnoses and two will provide transitional services for people leaving the secure treatment program at Porterville DC.

Welfare and Institutions Code 4418.7 authorizes DDS to operate one acute crisis unit at each of two Developmental Centers (DCs) in Sonoma (Sonoma DC) and Costa Mesa (Fairview DC). The services at each DC are provided on a residential unit that is licensed for intermediate care (ICF), and is required to be distinct from other residential units at the developmental center. Capacity is limited to no more than five individuals at one time on each residence (i.e., 5 individual at Sonoma, five individuals at Fairview, for a total capacity of 10 at any given time).

An individual may be admitted to an acute crisis unit if he or she meets the W&IC § 4418.7(d) (1) definition of acute crisis. Individuals are court- ordered to the DC acute crisis service for involuntary treatment, to be provided mental health treatment for stabilization, and to receive all necessary services and supports to prepare them for transition to a less restrictive environment within 13 months. Since the inception of the acute crisis services, the residences have generally operated at full capacity, with individuals waiting for admission once a vacancy occurs. Individuals who cannot be admitted to the DC crisis service are typically admitted to an Institution for Mental Disease (IMD) instead.

Below is an update on the Safety Net Plan implementation recently provided to the Developmental Services Task Force:

DEPARTMENT OF DEVELOPMENTAL SERVICES - SAFETY NET PLAN UPDATE
Developmental Services Task Force Community Services and Safety Net Work Group February 21, 2018
2017-18 Project Status

Type of Service: *Services will be developed through person centered planning, with a focus on cultural competence, positive behavior supports and trauma-informed care*	**Location**	**Licensure**	**Capacity**	**Status/Comments**
North STAR (Acute Crisis Services): Two five-bed state-operated homes in FY 17/18 One five-bed state-operated home in FY 18/19 *Projected Service Date: Fall 2018*	Northern California North Bay area	TBD	5/home	Regional Center of the East Bay is the lead regional center for housing development. The homes will be located in the North Bay Regional Center catchment area. The selected Housing Development Organization (HDO) has initiated the property search. An architecture consultant signed to help with the design of the specialized homes.
South STAR (Acute Crisis Services): Renovate two existing homes near Fairview Developmental Center on Mark Lane, which will be five-bed state-operated homes. *Projected Service Date: Fall 2018*	Mark Lane, Costa Mesa	TBD	5/home	DDS worked with Department of General Services to amend the lease agreement to go to Fairview Management Company. Plans for renovation are underway and an architecture consultant will be signed to help with the design of the specialized homes. Next steps are to secure permits.
STAR Crisis Assessment Response Team (CAST): State-operated acute crisis services out of STAR homes for individuals 12 years and older served by Regional Centers and at risk of having to move from their family home or out-of-home placement, and being admitted to a more restrictive setting. *Service Date: January 2018*	North and South STAR	N/A	TBD	Accepted referrals as of January 8, 2018. North STAR is phasing in services with North Bay Regional Center and Regional Center of the East Bay, while South STAR is phasing in services with Regional Center of Orange County and San Gabriel Pomona Regional Center.
Porterville Developmental Center Secure Treatment Program (STP) - Step Down Homes: Two four-bed vendor-operated homes, possibly with delayed egress and/or secured perimeter in FY 17/18 One four-bed vendor-operated home in FY18/19 (details of location to be determined) To support individuals transitioning into the community from the STP *Projected Service Date: Fall/Winter 2018*	Central Valley Area (CVRC)	Enhanced Behavioral Supports Home[2]	4/home	The Housing Development Organization (HDO) will be selected shortly and will initiate a proerty search immediately. The request for proposal (RFP) for the service provider is currently posted with a submission date of February 23, 2018.
Porterville Developmental Center Secure Treatment Program - Intensive Individualized Transition Support/ Wrap-Around Services: State-contractor to provide pre-transition risk assessment, assistance with in-depth person centered plan, and consultation before, during and after transition to residential providers for intensive forensic and psychiatric support. *Projected Service Date: Spring 2018*	Statewide	N/A	25-35	DDS conducted a work group in August 2017. DDS developed service parameters based on the work group, met with Disability Rights California and is finalizing the RFP. RFP will be posted in February/March 2018. The contractor expected to be selected in April/May 2018 with a service start date of May/June 2018.

Institute For Mental Disease (IMD) Step-Down Home: Four four-bed vendor-operated homes, possibly with delayed egress and/or secure perimeter To support individuals transitioning into the community from IMDs *Projected Service Date: Fall/Winter 2018*	Far Northern Regional Center (1 home); Alta California Regional Center (1 Home)/ San Gabriel Pomona Regional Center (2 homes)	Community Crisis Home and/or Enhanced Behavioral Supports Home	4/home	Far Northern Regional Center - RFPs for the HDO and service provider have been posted. Alta California Regional Center - The selected HDO has initiated the property search and the RFP for the service provider was posted and interviews are scheduled. San Gabriel Pomona Regional Center - RFPs for the HDO and service providers have been posted.
IMD Intensive Individualized Transition/Wrap-Around Services: Services to include provide pre-transition risk assessment as needed, assistance with in-depth person centered plan, and consultation before, during and after the transition to residential providers for intensive psychiatric supports *Projected Service Date: Summer 2018*	Statewide	N/A	20-30	A meeting with ARCA and RCs will be held to develop the scope of work.
Residential Services: Homes except Southern STAR will be RC developed through the established Community Placement Plan Start-Up process. CAST: Crisis Assessment Stabilization Team IMD: Institutions for Mental Disease STAR: Stabilization, Training, Assistance and Reintegration Acute Crisis Service				

DDS Granted New Authority for Use of Community Placement Plan (CPP) Funds. Chapter 18 of 2017 (AB 107, Committee on Budget) authorized DDS to expand the use of CPP funding to the entire community services program. Previously, CPP funding was designed specifically to address the community service needs of people moving out of DCs. It has funded the development of new homes and programs and paid for the transition costs to place these formerly institutionalized consumers in the community. Now DDS has the authority to use this funding to address unfunded needs of other community-based consumers in the DDS system.

GOVERNOR'S TRAILER BILL REQUEST ON ACUTE CRISIS HOMES

DOF's justification and arguments in support of their trailer bill proposal are as follows.

With the closure of Sonoma and Fairview DCs, continuous state-operated acute crisis services are necessary to meet statewide needs and reduce the dependency on IMDs. DDS plans to continue operating the existing acute crisis service residences at the DCs through closure, and until the services are transitioned into alternative settings. This change is a technical adjustment to comply with the enacted Developmental Services Budget Trailer Bill, Assembly Bill 107 (Chapter 18, Statutes of 2017), and to implement the services under the Department's Plan for Crisis and Other Safety Net Services in the California Developmental Services System to develop State-operated community-based acute crisis services.

Arguments in support, the proposed TBL:

- Allows for individuals with developmental disabilities to receive services at State-operated community-based acute crisis services as outlined in the Department's Plan for Crisis and Other Safety Net Services in the California Developmental Services System.

- Allows for the development of state-operated homes, rather than DC units, to further reduce dependency on IMDs.

- Provides for the development of State-operated homes at property in the area of Mark Lane near Fairview DC for the purpose of developing State-operated community-based acute crisis services as enacted in the Developmental Services Budget Trailer Bill, Assembly Bill 107 (Chapter 18, Statutes of 2017).

RELATED DRC PROPOSALS

Disability Rights California (DRC) has submitted the following advocacy requests in this area for the Subcommittee's consideration:

1. **Strengthen Protections for Individuals Placed in Institutions for Mental Disease.** Current law restricts the ability of regional centers to place individuals in Institutions for Mental Disease (IMDs). There are exceptions, however, that allow placement when there is an emergency, as defined by the regional center. These exceptions are much broader than the admission criteria to similar settings, such as developmental centers, which require a finding from a separate agency that an individual is in acute crisis and that there are no appropriate community based alternatives, as well as judicial oversight pursuant to Welfare & Institutions Code section 6500. Once an individual is admitted, regional centers have affirmative obligations to develop transition plans and hold individual program planning meetings to these plans. Current law also requires the Department to approve placements beyond 90 days, and prohibits any placement from exceeding 180 days.

   As of August 2017, data from DDS shows that 14 regional centers have placed a total of 59 consumers in IMDs, of which 45 (or over 75%) have been placed for over 180 days. Although the overall number of consumers placed at IMDs has decreased in the past 3 years, the percentage of consumers placed beyond the legal limit of 180 days has remained stable and very high (at or around 75%). DRC proposes the following enhancements to the statute governing IMD admissions: 1) align admission and transition with developmental center acute crisis standards; and 2) change the standards for extension beyond 90 days to 30-day increments (currently the increments are 90 days).

   DRC has a longstanding concern about the number of individuals who remain in IMDs for many years, and this concern was highlighted by recent data we received which indicated that College Hospital has a high use of physical and chemical restraints. DRC is also concerned with the inadequacy of transition planning upon admission, which results in individuals remaining in IMD’s for long periods of time.

2. **Grant Clients’ Rights Advocates Statutory Rights to Access Records for Individuals in Facilities for Which Clients Rights Advocates Receive Statutory Notice upon Admission.** Current law authorizes regional center clients’ rights

advocates to receive notification when individuals are placed in certain restrictive settings, and to participate in planning for individuals in those settings unless the individual objects on his or her own behalf. Current law also authorizes clients' rights advocates to access the confidential information of consumers who reside in some, but not all, of these settings. This appears to be an oversight, as changes to the Lanterman Act's confidentiality provisions have not kept up with the expansion of the clients' rights advocate's statutory role in restrictive settings. This oversight also prevents clients' rights advocates from meaningfully participating in planning team meetings since they do not have access to the same information as other planning team members.

DRC proposes amending Welfare and Institutions Code Section 4514 to allow clients' rights advocates to access confidential records and information for individuals who are placed in settings for which there are also statutory provisions requiring notification of admission to the clients' rights advocate and ability of the clients' rights advocates to meaningfully participate in post-admission planning meetings.

3. **Adequacy of the Community Safety Net.** DRC has concerns about community capacity and adequacy of services, particularly crisis services. DRC also has concerns regarding the delay in implementing the services outlined in the plan. Given the delay in development of facilities outlined in the safety net plan, and concerns about whether the proposed number of safety net services is adequate, DRC thinks legislative oversight is critical to ensure timely implementation. In addition, DRC believes additional funding is needed to develop resources for adequate community safety net services. Therefore we encourage additional safety net funding, an additional $5,600,000, that was not included in the Governor's budget year proposal.

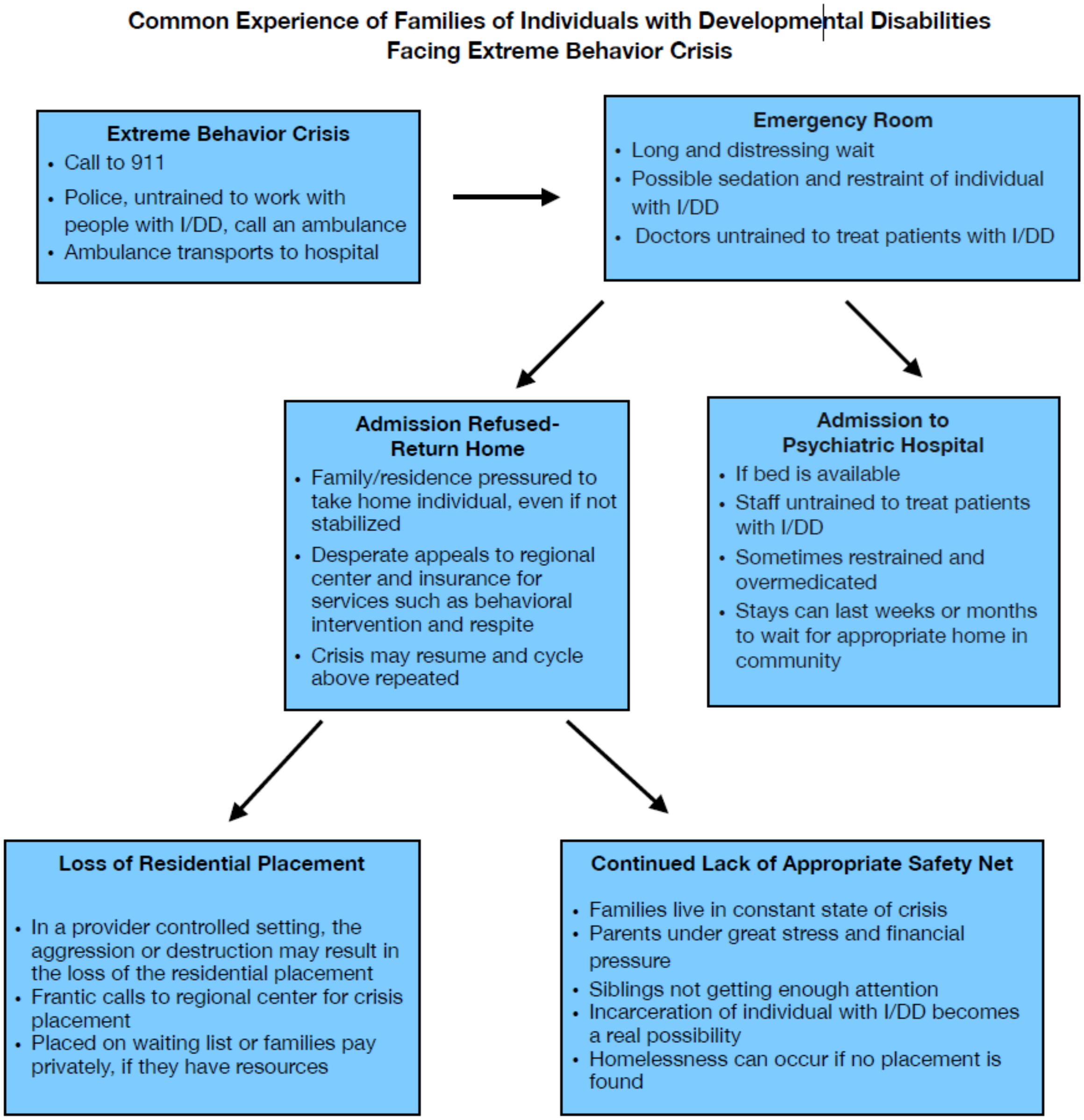
   Furthermore, as DDS develops the step down and transitional facilities for Porterville Developmental Center residents, the following issues should be addressed: 1) transition homes should not be opened until DDS has issued emergency regulations; 2) client's rights advocates must be included in the process at all junctures; 3) transition homes must be short term in nature; 4) the denial of rights processes outlined in Title 17 of the California Code of Regulations must be followed; 5) the contractor must have experience with the legal requirements around the right to refuse medications; and 6) alternatives to restraints must be the priority.

4. **Enhance Behavioral Support Home Guidelines.** DRC continues to be concerned that DDS has not issued these guidelines. This was proposed as a way of addressing DRC's concerns about the use of restraints, without a reasonable time limit, in these homes. The guidelines were required by December 1; they were postponed until December 31, and have been delayed until later this spring. DRC, as required, provided the Department with input into these guidelines. DRC remains concerned that homes are coming on line without the guidelines being released.

FEEDBACK FROM DISABILITY VOICES UNITED

The Subcommittee is in receipt of a *Reality Check* paper from Disability Voices United, a statewide advocacy organization "directed by and for individuals with developmental disabilities and their families." The organization has weighed in with feedback discussing crisis situations with extreme behaviors and their sense of the reality of what the system can and can't provide to support individuals and families.

They offer the following schematic and chart to illustrate their concerns.



The current system of supports for regional center clients in behavioral crisis is not meeting the needs of many. Below is a list that includes the range of services that regional centers are supposed to offer these individuals and their families. We include a column with the realities of these services for families based on the stories we have collected.

Current Safety Net Services for Regional Center Clients in Behavioral Crisis	**Realities of Many Families**
Personal assistance	Can't find workers; untrained workers; high turnover; wage too low; difficult work
Behavior intervention	For autism, insurance must pay first; waiting lists for agencies experienced with significant behaviors
Intensive day services	Few, if any available. Many adult day programs won't accept individuals with significant behaviors or will kick them out
Respite	Has been capped at 30 hours. Even with lifted cap, hard to get more hours. Hard to find and keep workers for low wage.
Telemedicine	Not useful for individuals in crisis; specialists don't know the individual
Mobile crisis/behavioral support team	Not available when needed or not helpful. Many families have never been offered this service.
Enhanced behavioral supports home Delayed egress/secured perimeter home Community crisis home	Few beds available and even fewer close to the family home. Some regional centers hold onto empty beds in their catchment area. Staff often untrained. Individuals sometimes abused in home. Not available for children in crisis.
Stabilization, training, assistance, and reintegration (STAR) home in Northern and Southern California	Few beds available. Most families don't know about their existence.
Acute psychiatric hospital	Many individuals spend extended time in these hospitals without stabilization. Individuals often are overmedicated, restrained, or suffer from abuse. Families often have little access.

Disability Voices United additional raises a host of questions and recommendations in their communication. Regarding the Safety Net implementation, their main questions include:

- Is DDS including families in the development of the components of the Safety Net?
- Is the timeline for various pieces realistic?
- How will residents transition into the community as quickly as possible?
- How long will individuals stay in these homes?
- What are the qualifications of the providers?

LAO COMMENTS AND RECOMMENDATIONS

Chapter 18 of 2017 (AB 107, Committee on Budget) requires DDS to provide quarterly updates about the development of community-based safety net and crisis services. The LAO suggests that the Legislature may wish to request some specific additional information from DDS in these updates (beyond what DDS has thus far provided) to help it more fully understand whether the planned safety net and crisis services are adequate for the needs of DDS consumers. For example, the Legislature could seek information on:

- How often DDS' mobile crisis units are engaged, the average length of time they are needed, and whether they are able to respond to all calls.
- How often the safety net homes reach capacity and remain at capacity.
- Whether each RC provides crisis intervention services and how these services are coordinated with DDS-operated services.
- The number of consumers who end up getting placed in a more restrictive setting, such as an Institution for Mental Disease (IMD), how long they remain in the more restrictive setting, and how many lose their community-based residential placement as a result of their placement in a more restrictive setting. (We note that recently collected DDS data indicate that more than 75 percent of the 59 consumers recently placed at IMDs have been there longer than the legal limit of 180 days.)

STAFF COMMENT

The Subcommittee may wish to formalize the information request that the LAO is suggesting in the form of Supplemental Report Language as part of the 2018 Budget and continue to consider the proposals heard under this item.

Staff Recommendation:

Hold open.

ISSUE 4: REGIONAL CENTER RATES, PENDING STUDY, HEALTH AND SAFETY WAIVER PROCESS, AND ASSOCIATED REQUESTS

PANEL

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, and Brian Winfield, Deputy Director, Community Services Division, Department of Developmental Services
- Assemblymember Chris Holden
- Representative, The Arc and United Cerebral Palsy California Collaboration
- Representative, Association of Regional Center Agencies
- Barry Jardini, Government Affairs Director, California Disability Services Association
- Representative, Disability Rights California
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND

DDS currently serves an estimated 318,000 individuals with developmental disabilities ("consumers" in statutory language) in 2017-18 through its community services program. Twenty-one independent nonprofit Regional Center (RC) agencies coordinate services for consumers, which includes assessing eligibility and developing individual program plans. RCs coordinate residential, health, day program, employment, transportation, and respite services, among others, for consumers. As the mandated payer of last resort, RCs only pay for services if they are not covered and paid for through another government program, such as Medi-Cal or public education, or through a third party, such as private health insurance. RCs contract with tens of thousands of vendors around the state to purchase services and supports for consumers. DDS provides RCs with a budget for both their administrative operations and the purchase of services (POS) from vendors.

OVERVIEW OF COMMUNITY SERVICES BUDGET

The community services program is estimated to grow 7.6 percent in 2018-19 to $6.9 billion (all funds). The General Fund comprises $4.1 billion of the total budget, up 8.4 percent from 2017-18, while federal reimbursements, primarily through Medicaid Waiver programs and Title XX social services funding will provide an estimated $2.7 billion. The Governor's budget reflects a $25 million ($21 million General Fund) downward adjustment in POS expenditures in 2017-18, in large part due to lower actual expenditures than previously estimated related to state minimum wage increases implemented in 2017. In 2018-19, the Governor's budget proposes an increase of $451 million ($285 million General Fund) in POS expenditures over revised 2017-18 estimates. Of this amount, $179 million ($98 million General Fund) is due to state minimum wage increases that took effect on January 1, 2018 and the subsequent increase that will take effect on January 1, 2019. In 2018-19, the DDS RC budget will lose about $11 million in federal funding from the "Money Follows the Person" grant. This federal grant was a limited-term source of funding for services provided for consumers transitioning from institutional settings. The General Fund will backfill this loss.

The DDS system is preparing itself for some fundamental changes in the way services are delivered, which affects the DDS POS budget. New federal home- and community-based service (HCBS) regulations that take effect in March 2022 and affect the state's ability to receive federal Medicaid HCBS Waiver funding require programs that are more integrated, promote personal choice, and foster consumer independence. Some shifts may already be evident in the proposed POS budget. Work activity programs, also known as sheltered workshops, are non-integrated programs that include large groups of DDS consumers conducting work for subminimum wage.

Between 2017-18 and 2018-19, the Governor's budget reflects a decline of nearly $4 million General Fund for work activity programs and a nearly commensurate increase of about $3 million General Fund in individual supported employment. Under recently enacted law, behavioral health treatment (BHT) for children that is considered medically necessary has been approved as a covered Medi-Cal benefit and the cost for this treatment is shifting from the DDS POS budget to the Medi-Cal budget. This transition, which began among children who have an autism diagnosis and now includes children without an autism diagnosis, is reflected as a further reduction of nearly $49 million General Fund in DDS' 2018-19 budget. The BHT transition is taking longer than expected in the current year, but is proceeding currently with DDS working with the Department of Health Care Services (DHCS).

MINIMUM WAGE ISSUES

The Legislature has increased the state minimum wage several times over the past decade. Currently, the state minimum wage is $10.50 for businesses with 25 or fewer employees and $11 for businesses with 26 or more employees. The state minimum wage is statutorily scheduled to increase each year until it reaches $15, in 2022 for the larger businesses and in 2023 for the smaller businesses.

To a large extent, allowable rates paid to DDS service providers ("vendors") are subject to parameters set in statute. Currently, statute allows DDS to adjust the rates paid to vendors when the adjustment is needed to bring their lowest wage staff up to the state minimum wage. However, statute and administrative practice generally do not provide for vendor rate adjustments in response to local minimum wage increases. Currently, about 20 cities and counties have minimum wages that are higher than the state minimum wage. Two cities in the Silicon Valley already have a $15 dollar minimum wage and San Francisco will reach this level in July. Only in rare cases when a vendor demonstrates that the health and safety of an individual consumer is at risk and both the

RC and DDS agree with the vendor's assessment, will DDS make an exception, as it is authorized to do, and adjust rates for the vendor as a result of local minimum wage cost pressures.

Vendors in areas with a local minimum wage that is higher than the state minimum wage appear to be more adversely affected by the statutory policy on rate adjustments for state minimum wage increases than likely was intended. This is because these vendors, in addition to generally being ineligible for rate adjustments due to local minimum wage increases, are also considered ineligible for any of the rate adjustments due to state minimum wage increases. They are considered ineligible for the state increases because they already pay their minimum wage workers a wage that is higher than the state minimum wage. In contrast, vendors providing the same service in another part of the state, but who are not subject to a local minimum wage requirement, can seek an adjustment per state policy for their minimum wage workers.

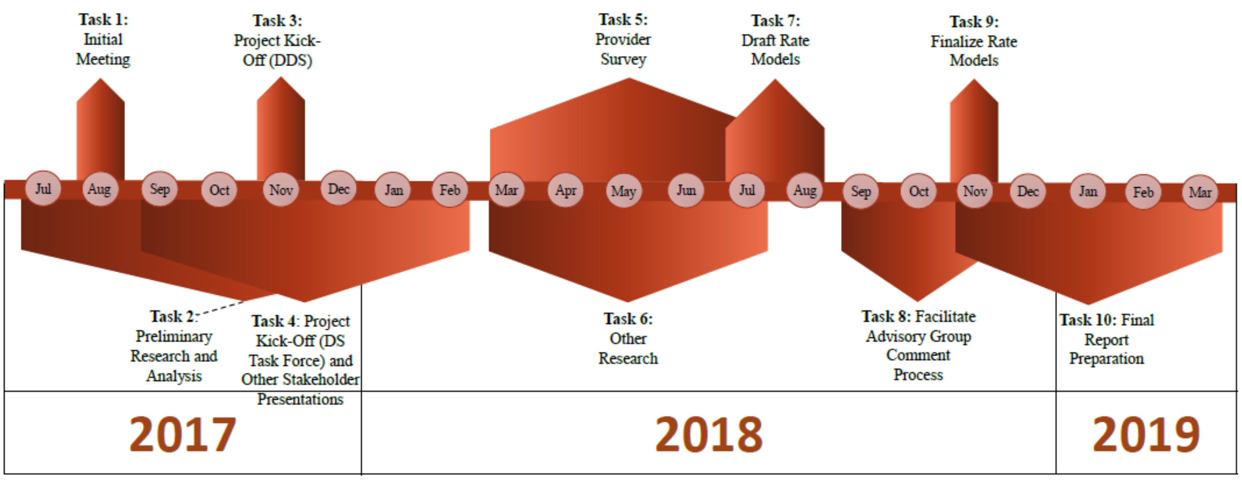
To see how this plays out, consider a vendor in San Francisco (which has had a local minimum wage above the state minimum wage since 2014). This vendor cannot request an adjustment when the state minimum wage goes up because it already has to pay its lowest wage staff more than the state minimum wage. This means it may still operate with the rate it had before 2014, whereas a vendor in Modesto (which does not have a local minimum wage) would have been able to request an adjustment each of the four times the state minimum wage has increased since 2014. Not only does the vendor in San Francisco have to pay higher wages to its minimum wage staff (currently $14 per hour), but it cannot benefit from any of the adjustments, due to changes in state policy, that are afforded vendors in other areas of the state without local minimum wages.

PENDING RATE STUDY

DDS received $3 million as part of the 2016 Special Session legislation for a contractor to conduct a service provider rate study and provide recommendations about rate setting. The rate study and recommendations to address issues with rates are due to the Legislature by March 1, 2019. Statute stipulates that the study should provide an assessment of the current methods for setting rates, including whether they provide an adequate supply of vendors; a comparison of the fiscal effects of alternative rate-setting methods; and how vendor rates relate to consumer outcomes. It also requires an evaluation of the current number and types of service codes and recommendations for possible restructuring of service codes.

DDS entered into a contract with Burns & Associates, Inc., a health policy consulting firm, to complete the study. DDS convened a "Rates Workgroup" and conducted a kick-off meeting on February 22, 2018. Below is a schematic of the study's timeline.

Revised Project Timeline as of February 2018



HEALTH AND SAFETY WAIVER PROCESS

Current law authorizes DDS to approve exemptions to rate freezes for the purpose of mitigating risks to consumer health and safety. Advocates and provider groups have raised for a few years that this process has been used, they say often unsuccessfully, to accommodate the need for viable rate levels that will stabilize them and keep them financially solvent. Stakeholders contend that this process was not intended to play this kind of role, but that the crisis around rates has forced them to pursue these waivers in the absent of a systemic response. The information below was provided by DDS on January 30, 2018.

H&S Waiver Requests Related to Local Minimum Wage Ordinances

Of the requests received in FYs 2012/13 - 2017/18 the following numbers were related to local minimum wage ordinances:

- FY 2012/13: 0
- FY 2013/14: 9 requests received (88 consumers). All were approved.
  SARC: 9 (includes 1 RCEB consumer)
- FY 2014/15: 11 requests received (47 consumers). 9 were approved and 2 were rescinded.
  RCEB: 3 SARC: 8
- FY 2015/16: 32 requests received (208 consumers). All were approved.
  RCEB: 29 SARC: 3
- FY 2016/17 (*As of December 12, 2017*): 98 requests received (4052 consumers). 5 were approved, 49 were denied, 8 were rescinded and 36 are pending.
  ELARC: 3 GGRC: 1 NLACRC: 48 RCEB: 25 SARC: 4 SDRC: 17
- FY 2017/18 (*As of December 12, 2017*): 28 requests received (807 consumers). 1 was rescinded and 27 are pending
  GGRC: 1 RCEB: 25 SGPRC: 2

Common Reasons for Approvals of H&S Waiver Requests

- To maintain consistency in staff/providers whose familiarity and expertise helps maintain the consumer's health and safety.
- To increase services and supports to allow the consumer to maintain safe, independent living, or to remain living in the family home.
- To increase services and supports due to changes in the consumer's medical condition and/or behavior challenges and mitigate identified health and safety risks to the consumer.
- Lack of available (alternative) resources to serve the consumer due to his/her significant behavioral and/or mental health challenges.

Average Amount of Time to Process a H&S Waiver Request

Average number of days from the date a H&S waiver request was received by DDS to the date a formal determination was issued to the regional center:

- FY 2012/13: 156 days
- FY 2013/14: 76 days
- FY 2014/15: 143 days
- FY 2015/16: 106 days
- FY 2016/17 (As of December 12, 2017): 95 days - There are currently 42 requests that have been pending for an average of 262 days. If a determination were issued on all pending requests on December 12, 2017, the average processing time for FY 16/17 would be 156 days.
- FY 2017/18 (As of December 12, 2017): N/A - No formal determination has been made for requests received in FY 17/18.

Note: Pending requests are not included in the above figures. Some requests are expedited based on the nature of the H&S risk to the consumer. Also, there are several factors that contribute to the processing time of requests, including missing and inaccurate information requiring follow up with regional centers and vendors. This follow up and obtaining required information can sometimes take several weeks or months.

Expenditures Related to Approved H&S Waiver Requests

The figures below represent the difference between previous rates and approved H&S waiver rates calculated for 12 months. These are the maximum billable amounts for services related to requests approved in each fiscal year. Due to variations in regional center billing and coding practices, DDS is unable to identify actual expenditures related to these requests. Of the requests received in FYs 2014/15 and 2015/16, Regional Center of the East Bay and San Andreas Regional Center were the only 2 Regional Centers that submitted Local Minimum Wage requests. Effective 2016/17, Eastern Los Angeles Regional Center, Golden Gate Regional Center, North Los Angeles County Regional Center, and San Diego Regional Center have begun submitting Local Minimum Wage requests.

- FY 2012/13: $1,139,123 (total approved for all regional centers)
- FY 2013/14: $3,043,813
  - Of the amount approved for FY 2013/14, the following is due to Local Minimum Wage:
    - $6,845 - Regional Center of the East Bay
    - $459,562 - San Andreas Regional Center
- FY 2014/15: $856,482
  - Of the amount approved for FY 2014/15, the following is due to Local Minimum Wage:
    - $38,682 - Regional Center of the East Bay
    - $98,012 - San Andreas Regional Center
- FY 2015/16: $2,446,325
  - Of the amount approved for FY 2015/16, the following is due to Local Minimum Wage:
    - $776,737 - Regional Center of the East Bay
    - $150,089 - San Andreas Regional Center
- FY 2016/17: $1,006,684 (Excludes 42 pending requests for FY 2016/17)
  - Of the amount approved for FY 2016/17, the following is due to Local Minimum Wage:
    - $31,566 - Regional Center of the East Bay
    - $1,420 - San Diego Regional Center
- FY 2017/18: $0

- Annual Maximum Expenditures for Requests Approved in FYs 2012/13 - 2017/18: $8,492,427 [2]

[2] Excludes pending requests

LAO RECOMMENDATION

The LAO recommends that the Legislature consider clarifying what it intended when it authorized DDS vendors to seek rate adjustments. For example, when the state minimum wage increases from $11 per hour to $12 per hour, does the Legislature want to allow a vendor in San Francisco paying the local minimum wage of $14 per hour to seek a rate adjustment to account for the $1 increase in the state minimum wage to partially offset its costs, as it allows a vendor in Modesto (paying the state minimum wage) to do? If so, we recommend statutory clean up to clarify that vendors in areas with a local minimum wage that is higher than the state minimum wage can seek an adjustment related specifically to the increase in the state minimum wage. In addition, we recommend the Legislature direct DDS to report at budget hearings about the estimated General Fund cost of this statutory clean up.

ADVOCACY PROPOSALS

The following advocacy proposals regarding provider rate stability have been received by the Subcommittee:

- **Bridge Funding for DDS Service Providers to Maintain Critical Services. Assemblymember Chris Holden** has submitted a request to the Subcommittee to consider providing $25 million General Fund (matched with federal funds for a total of approximately $44 million) to be made available for service providers in the DD system to meet increasing labor and other operations cost. Asm. Holden states, "Due to long-standing rate freezes, dating back to 2003, service providers cannot negotiate, nor can regional centers offer, a rate that reflects [their] actual operating costs. This means that, unlike any other business or contractor, the developmental disabilities services system has no way to adjust payment rates to meet [increasing costs]."

  Asm. Holden states that these funds will address operating cost pressures arising from extraordinary cost of living increases in each of California's major population centers. Documented increases in labor, housing, leasing, and fuel costs in the state's most populous regions has damaged the capacity of service providers in these regions. "Regional centers who coordinate and oversee services to consumers in these areas report severe strain on their local providers and an increasing shortage of critical resources for many of their most vulnerable consumers."

  Additionally, **The Arc and United Cerebral Palsy California Collaboration and Association of Regional Center Agencies (ARCA)** have written in support of Asm. Holden's "Bridge" request, along with a host of other providers and stakeholders. These two organizations are invited to testify as part of the panel on this issue.

- **Rate Relief Proposal. The California Disability Services Association (CDSA)** has submitted the following proposal: "CDSA respectfully requests consideration of a budget request to increase funding for services to individuals with developmental disabilities until the State implements the current rate study, which is due to the Legislature by March 2019. CDSA is requesting a four percent increase in rates for all community-based services, as well as the elimination of the median rate cap for negotiated rate services, at a cost of $130 million General Fund.

  In 2016, service providers received their first rate relief in a decade under ABX2-1, but the relief was focused principally on a wage and benefit increase for direct service staff, and many of the increased costs of operating an agency went unaddressed. Additionally, the median rate caps, which were implemented as part of the austerity measures during the recession, remain in place. As part of ABX2-1, the State has contracted with a consultant to perform a comprehensive study of the rate system to assess the sustainability, quality, and transparency of community-based services. However, providers are unable to keep up with the rising costs to deliver services, and simply cannot wait for relief until the rate study is completed and its funding recommendations are implemented."

RELATED DRC PROPOSALS

Disability Rights California (DRC) has submitted the following advocacy requests and concerns in this area for the Subcommittee's consideration:

- **Expedite the Process the Department Utilizes to Approve Rate Increases when an Individual's Health and Safety is at Risk and Give Regional Center Executive Directors the Authority to Negotiate Rates to Prevent Placements in Restrictive Settings.** Current law prohibits regional centers from increasing rates for specified services unless DDS affirmatively approves a rate increase based on the risk to an individual's health and safety. This is known as a health and safety waiver. However, this process is cumbersome, lengthy, and opaque. For example, the Department's average processing time for FY 2016/17 was 95 days (not counting the time it takes for the regional center to process and submit the request). When pending requests are included, the average is closer to 156 days.

  DRC therefore recommends amendments which include: 1) a 30-day time limit by when the Department must act on the request; 2) giving regional centers the authority to negotiate rates for individuals who are placed in (or at risk of placement in) restrictive settings; 3) allowing consumers and their representatives the statutory authority to request a meeting to discuss the request; and 4) legislative reporting.

- **Self Determination Concerns.** DRC understands that it is likely that the waiver should be approved within 60 to 90 days. While this is good news, DRC is concerned about the lack of statewide infrastructure to implement the program, including identifying sufficient numbers of diverse individuals who are interested in participating in the program. DRC acknowledges that the Department is putting together a plan to implement self-determination and look forward to the Department providing detail about the steps and timelines for implementation.

STAFF COMMENTS

Staff recommends that the Subcommittee request a fiscal effect assessment of the statutory clean-up pursuant to the LAO recommendation regarding the minimum wage and continuing attention to the proposals discussed under this item.

Staff Recommendation:

Hold open.

ISSUE 5: OVERSIGHT OVER DISPARITIES FUNDING AND RESPITE RESTORATION

PANEL

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, and Brian Winfield, Deputy Director, Community Services Division, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Representative, Disability Rights California
- Public Comment

BACKGROUND

- **Disparities Funding.** With the availability of disparity funds in 2016-17, DDS received 115 proposals from regional centers, and allocated $10.8 million for 96 approved projects. In 2017-18, DDS received 140 proposals from regional centers and community-based organizations. In February 2018, it allocated $10.9 million for 64 approved projects, including 29 regional center and 35 community-based organization projects. DDS' website contains a list of projects at: http://www.dds.ca.gov/RC/disparities.cfm

- **Respite Restoration.** On August 3, 2017, DDS sent a program directive to regional centers regarding the repeal on the respite cap. The directive requested that regional centers work with families, providers, and other community organizations to facilitate awareness and outreach. The directive also required regional centers review and, where needed, update their Respite Services purchase of services policies and submit them to DDS for review. Regional centers are in process of submitting revised policies. DDS allocated $10.3 million ($5.6 million GF) to regional centers on February 2, 2018, for the increase effective January 1, 2018.

RELATED DRC PROPOSALS

Disability Rights California (DRC) has submitted the following advocacy requests in this area for the Subcommittee's consideration:

- **Disparities Outcomes.** DRC believes that the respite funding awarded should demonstrate measurable outcomes, not outputs. For example, it is known that many regional centers used navigators or lower service coordinator caseloads for consumers and their families who had no or very small POS expenditures. While an increase in expenditures to these consumers/families will not likely change the overall disparity, it should be able to result in those families being at, or closer, to a POS expenditure number that does not reflect a service disparity. DRC is also requesting that information related to measureable outcomes is made available to the public and states that it is important to provide a public forum to present these outcomes. This will enable successful endeavors to be replicated and unsuccessful plans to be avoided in the future. DRC has submitted trailer bill language to the Subcommittee and DDS to accomplish this goal.

- **Elimination of the Respite Cap.** Last year, the Legislature eliminated the respite cap that was implemented in 2009 as part of the budget crisis. While the Legislature eliminated the statutory respite cap, regional centers are still permitted to develop purchase of service (POS) policies. DRC states that its understanding is that some regional centers continue to include respite caps in their policies. DRC encourages legislative oversight to monitor POS policies to ensure that caps in POS policies do not limit respite in ways that do not reflect the Legislature's intent in 2017 Budget. DRC states that DDS represents that it has reviewed all respite policies, but that information about the status of that review has not been released. DRC recommends that the Legislature may want to seek information about the outcome of the review of these policies. In addition, DRC states that some regional centers may have developed internal guidelines, which are not public. These guidelines provide guidance to staff about making decisions about the amount of respite. DRC is suggesting that all respite processes and procedures should be made public.

STAFF COMMENT

Staff recommends that the Subcommittee request a response from DDS in writing to the issues and questions raised by DRC for both the disparities funding and the respite restoration.

Staff Recommendation:

Hold open.

ISSUE 6: GOVERNOR'S PROPOSAL ON UNIFORM HOLIDAY SCHEDULE

PANEL

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Representative, The Arc and United Cerebral Palsy California Collaboration
- Representative, Association of Regional Center Agencies
- Representative, Disability Rights California
- Public Comment

BACKGROUND

Traditionally, each RC has required service providers in its catchment area to observe a certain number of holidays each year, meaning service providers cannot bill for services on those days (in practice, most do not provide services on those days, and if they do, they go uncompensated). The holiday policy typically would apply to providers of services such as day program, transportation, work activity programs, and early intervention services for infants and toddlers, rather than services such as residential care. Traditionally, RCs have required service providers to observe an average of ten holidays per year.

As part of a package of budget solutions passed in 2009 in response to the significant state budget deficit, the state enacted a policy prohibiting RCs from paying service providers on 14 holidays per year (rather than the typical ten) and requiring that all service providers statewide uniformly observe the same 14 holidays. This was called the "uniform holiday schedule." Prohibiting billing on four additional days per year was estimated to save $22 million in POS expenditures ($16.3 million General Fund) at the time of enactment of this policy.

While legal action was brought against the state by service provider associations in 2011 in an effort to have the state policy repealed, the policy remained in effect for more than five years. Despite an initial ruling in favor of service providers in 2015, a subsequent court ruling in 2016 upheld the state's policy. Since the initial ruling in 2015, the state has not enforced the policy. RCs went back to the traditional practice of setting their own holiday schedules for vendors, which included on average about ten days per year. Service providers were able to bill again for the four extra days, meaning that although the DDS budget was not directly adjusted to reverse the savings assumed in 2009, the funding required for the four additional days was occurring through POS billing on the natural. In other words, the 2017-18 POS budget likely reflects the cost for services provided on the four additional days.

GOVERNOR'S PROPOSAL

Because the 14-day uniform schedule remains in statute and the court upheld it, the Governor's budget proposes enforcing it again starting in 2018-19, with an estimated incremental savings of $10.2 million ($3.2 million General Fund) on top of the previously estimated savings.

STAKEHOLDER REACTION AND PROPOSAL

The Subcommittee is in receipt of the following stakeholder reaction to this proposal:

- **From The Arc and United Cerebral Palsy California Collaboration:** "Re-implementation of the 14-Day Uniform Holiday Schedule, as proposed in the Governor's 2018-19 Budget, is harmful to Regional Center clients, families, services providers and direct support professionals throughout the state. Currently, most service providers operate on a 10 day holiday schedule. The proposed uniform holiday schedule effectively implements a reduction in services, creates significant cost burdens on all parties, forced furlough days or use of vacation days for hourly staff, loss of personal income to clients that work, disruption for families, increase in respite care in lieu of day services and ultimately creates another unfunded mandate for service providers. We request that re-implementation of the 14-Day Uniform Holiday Schedule be flatly rejected."

- **From the Association of Regional Center Agencies (ARCA):** "ARCA opposes the reinstatement of the Uniform Holiday Schedule, with 14 mandatory statewide furlough days. At a time when service providers are already struggling to survive frozen rates and rising operational costs, implementing this policy could be detrimental to the system. This amounts to a rate cut for service providers and forces many direct service professionals, many of whom are paid minimum wage, to take unpaid days off. It also threatens the independence of those individuals who require support to work as well as impacts family members who must take time off work to ensure appropriate supervision is provided. This policy is short-sighted and should be rejected."

RELATED DRC PROPOSAL

- **Disability Rights California (DRC)** has submitted the following feedback for the Subcommittee's consideration: "In addition to the issues that may be raised by providers, DRC wants to ensure that as the developmental disabilities system develops new ways of increasing Competitive Integrated Employment, the implementation of the holiday schedule does not inappropriately limit employment options. While current law prohibits the imposition of the holiday schedule on services such as supported employment, we think it is important to provide statutory clarity and ensure that consumers who receive employment supports through paid internship programs or whom are engaged in competitive integrated employment with support are not at risk because of the imposition of the statewide holiday schedule. We assume that this is not DDS' intent, but believe clarification of the statute would prevent unintended consequences."

LAO COMMENTS AND RECOMMENDATIONS

The LAO offers the following thoughts for the Subcommittee's consideration. The Legislature has several options in response to the Governor's plan. First, it could approve the Governor's plan – enforcement of the 14-day uniform holiday schedule in current law. The Governor's budget assumes General Fund savings of about $3 million. However, since the policy has not been enforced since 2015 and vendors began billing for services on four additional days, there would likely be even more savings than what the Governor's budget assumes.

Second, the Legislature could reject the proposal outright and repeal the state policy. This would reinstate the traditional, and current, practice of allowing RCs to set their own holiday schedules and would not in effect cost the state any more in POS than what is in the 2017-18 budget. However, compared to what the Governor's budget proposes for 2018-19, it would increase costs.

Finally, the Legislature could approve a compromise solution, requiring a uniform holiday schedule, but one that includes ten days rather than 14. This would reinstate the benefit of a coordinated schedule among service providers across RCs. This is mostly a benefit when RCs are in close geographic proximity and consumers receive services from service providers in more than one RC catchment area. It would allow consumers to continue receiving services on the four days eliminated from the holiday schedule. Although rejecting the Governor's proposal or approving the offered compromise solution would increase costs compared to what the Governor's budget proposes for 2018-19, it would likely not increase costs compared to 2017-18, since RCs currently typically observe and pay their vendors according to a ten-day holiday schedule.

STAFF COMMENT

The Department of Finance has provided the following: the fiscal impact of rejecting the reimplementation of the 14-day Uniform Holiday Schedule is $32.2 million ($19.5 million GF). The Uniform Holiday Schedule GF savings proposal implemented in 2009-10 added four holidays to the ten-day schedule. The fiscal impact of removing one day from the schedule is $8.1 million ($4.9 million GF).

Staff Recommendation:

Hold open.

ISSUE 7: GOVERNOR'S BUDGET CHANGE PROPOSALS FOR DDS HEADQUARTERS

PANEL

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND

The Governor's budget proposes $68 million for DDS headquarters operations in 2018-19, an increase of $4 million. The General Fund will provide $40 million, up $3 million from 2017-18. The Governor's budget proposes $2 million ($1.4 million General Fund) and nine positions for clinical oversight and monitoring of the new models of homes that were recently developed for consumers moving from DCs. These homes and associated services specialize in intensive medical care, behavioral treatment, and crisis intervention. The Governor's budget also proposes to create an internal audit unit, which includes two positions and $295,000 ($178,000 General Fund). Currently, headquarters staff that conduct and oversee audits of RCs and service providers step in when needed to conduct audits of internal DDS activities.

HEADQUARTERS FUNDING AND BCP REQUESTS

For 2017-18, the Governor's Budget reflects an increase of $2.2 million ($1.3 million GF increase) over the enacted budget for employee compensation and retirement adjustments. The total updated 2017-18 Headquarters budget is $63.2 million ($36.2 million GF). For 2018-19, the Governor's Budget proposes total Headquarters operations funding in 2018-19 of $67.6 million ($39.6 million GF). This is a net increase of $4.4 million ($3.4 million GF increase) over the updated 2017-18 budget, reflecting a $0.2 million increase ($0.2 million GF increase) due to changes in employee compensation and retirement adjustments. The increase also reflects expenditures and positions from the following three Budget Change Proposals (BCPs):

- **BCP for Clinical Staff for Community Homes Oversight.** DDS requests $2 million ($1.4 million GF) to fund 9.0 positions to increase clinical staff and expertise within Headquarters to support development and ongoing monitoring of Adult Residential Facilities for Persons with Special Health Care Needs, Enhanced Behavioral Supports Homes, and Community Crisis Homes.

- **BCP to Centralize Statewide Activities for Developmental Services.** DDS requests approval to shift $2.1 million ($1.6 million GF) and 15.5 positions from the

State Operated Residential and Community Services Program to Headquarters for statewide oversight positions and activities that will continue beyond closure of the developmental centers. Assigning the positions and funding within Headquarters is consistent with the current functions of the positions and provides continuity of services and expertise within the Department for ongoing, statewide responsibilities and programs.

- **BCP to Establish Internal Audit Unit.** DDS requests $295,000 ($178,000 GF) and 2.0 positions to establish an internal audit unit. In addition to initial planning activities, the requested resources will complete general internal audit assignments such as delegated contract audits from the Department of General Services and the State Leadership Accountability Act review from the Department of Finance. Further, the resources will serve as liaisons during audits conducted by outside entities such as the California State Auditor, the Department of Finance, and the State Controller's Office.

INFORMATION ON THE DDS RESEARCH UNIT

DDS recently provided the following information to the Subcommittee regarding the work of the Research Unit:

Over the past year, the DDS Research unit built capacity for enhanced data analysis, report production, and data quality. This work has been foundational for producing accurate data and policy analysis to inform departmental decision-making. Specific areas of research and analysis includes:

Reducing Disparities

- Analyze service access to provide insights about key demographic characteristics of different ethnic groups and to establish a baseline from which to measure improvements and assist Executive Staff to identify and prioritize service needs.
- Support the Director's Disparities Advisory Group and California's Community of Practice with data analysis and other insights into program operations.
- Support ABX2 1 implementation of the disparity funds program by developing and presenting information on POS disparities at statewide stakeholder meetings, assisting in evaluating proposals from regional centers and community based organizations on the use of funds, and overseeing project assessments to identify effective practices and monitor fiscal accountability.
- Evaluate initial and ongoing impacts of removing the cap on respite services related to the provision of services to underserved communities.
- Development of draft disparity measures by which the Department will assess and monitor the progress of regional centers and community based organizations in reducing disparities in underserved populations.

Supporting Regional Center Estimate Development

- Developed a database for Estimates staff to analyze and compare regional center expenditures.
- Collaborate with Estimates staff on expenditure and reimbursement projection meetings and methodologies.

Tracking Resource Development and Consumer Transitions for DC Closure

- Conduct monthly, quarterly and ad hoc analyses of progress toward DC closure to inform DDS planning and quarterly legislative updates.

Providing analysis, consultation, and assistance on research projects

- Analyze regional center consumer demographics as compared to the general population.
- Respond to external data requests.

Staff Recommendation:

Hold open.

ISSUE 8: ADVOCACY PROPOSAL ON RESTORATION OF SOCIAL RECREATION AND CAMP SERVICES

PANEL

- Representative, Association of Regional Center Agencies
- Representative, The Arc and United Cerebral Palsy California Collaboration
- Representative, Disability Rights California
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ADVOCACY PROPOSAL

The Association of Regional Center Agencies (ARCA) and The Arc and United Cerebral Palsy California Collaboration propose the restoration of social recreation and camp services.

ARCA writes, "Most people with developmental disabilities in California live with their families, including most adults from diverse communities. Prior to the 2009 budget cuts, regional centers provided social recreation and camp services to help support families. These services increased integration in the community and improved socialization skills, while simultaneously offering families a break and respecting cultural preferences for home-based family care. Families relied heavily on social recreation and camp services to enable them to maintain individuals at home. Restoring social recreation and camp services will once again provide a meaningful and cost-effective way to support families."

The Arc and United Cerebral Palsy California Collaboration writes, "Cuts to the social recreation and camping programs, intended to be temporary, were implemented in 2009 during an unprecedented budget shortfall. To date, restoration of these important programs has not occurred leaving many people with intellectual and developmental disabilities and their families without these historically successful services. Social recreation and camping services increase community integration, improve socialization skills and have been of particular benefit to ethnically diverse communities… In addition, these services could also be a powerful tool to support individual community integration as the federal Home and Community-Based Services Final Rule envisions therefore we ask that as the 2018-19 Budget is being negotiated these services be restored."

Disability Rights California (DRC) writes in regard to this restoration request, "POS disparities are an ongoing concern in the regional center system. The most important steps we can take is to ensure that consumers from ethnic and language distinct communities have access to culturally and linguistically competent services that they need. To advance this goal, we suggest removing the suspension of social recreation and camping, which these groups need."

DDS ESTIMATE

DDS estimates the cost to restore social recreation services effective July 1, 2018, at $22.2 million ($14.0 million GF) in 2018-19. This is based on the estimated full-year impact of $39.4 million, adjusted for a ramp up of services. More specifically, ramp up will occur as regional centers review and update Individual Program Plans (IPPs) to identify the need for and authorize social recreation services, and to identify and develop providers to offer these services.

In 2019-20, the Department estimates the cost to restore Social Recreation services at $35.4 million ($22.3 million GF). This amount is based on the estimated full-year impact of $39.4 million, adjusted for continuing ramp up.

To estimate costs, the Department compared actual expenditures for social recreation services after the suspension, beginning with 2009-10 through 2017-18, to projected expenditures based on caseload growth had the suspensions not occurred. In 2018-19, DDS assumed one half year of costs at 33%, and the second half at 80%. In 2019-20, DDS assumed another six months at 80% of costs, and the last six months at full cost.

STAFF COMMENT

The Assembly chose last year to fund this proposal, while the Senate chose to restore the respite request. Ultimately, the respite restoration was funded in the 2017 Budget.

Staff Recommendation:

Hold open.

ISSUE 9: ADVOCACY PROPOSAL ON RAISING ELIGIBILITY AGE FOR DDS SERVICES

PANEL

- Senator Scott Wilk
- Carlene Holden, Easter Seals Southern California
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

PROPOSAL

The Subcommittee is in receipt of a proposal from Senator Scott Wilk to expand eligibility under the "age of onset" definition of developmental disability. Senator Wilk states that shifting the current cut off from age 18 to before an individual attains 22 years of age will allow these developmentally disabled individuals to receive services from California's regional centers.

Existing law, the Lanterman Developmental Disabilities Services Act, requires the State Department of Developmental Services to contract with regional centers to provide services and supports to individuals with developmental disabilities and their families, and requires regional centers to identify and pursue all possible sources of funding for consumers receiving those services. Existing law defines a "developmental disability" as a disability that originates before an individual attains 18 years of age, continues, or can be expected to continue, indefinitely, and constitutes a substantial disability for the individual.

The federal government changed its age of onset definition from 18 to 22 a full 40 years ago to match modern medical science that the developmental phase of the young brain does not end at age 18 but continues to at least age 22. The state share of cost for this eligibility expansion is estimated to be $3.2 million General Fund for an estimated 394 new individuals in the first year. The Senator's office has provided an extensive fiscal analysis that supports these estimates.

STAFF COMMENT

There may be an intersection with services provided to those within this age margin who are currently served by the Department of Rehabilitation.

Staff Recommendation:

Hold open.

ISSUE 10: ADVOCACY PROPOSAL TO FUND BEST BUDDIES

PANEL

- Jessica Brooks, California State Director, Best Buddies
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

PROPOSAL

Best Buddies seeks funding of $1.5 million General Fund in 2018-19 to support the delivery and expansion of its unique social inclusion, integrated employment, and leadership development programs for children and adults with intellectual and developmental disabilities. The stated mission of Best Buddies is to establish a global volunteer movement that creates opportunities for one-to-one friendships, integrated employment, and leadership development for people with intellectual and developmental disabilities (IDD).

BACKGROUND

Best Buddies received $1.6 million General Fund in 2017-18 (one-time) and states that this funding in the current year is helping them support nearly 6,200 participants through 137 school-based chapters statewide, exceeding the project's output goal of 120 total schools served. 27 of these chapters launched in fall 2017 and spring 2018. This funding serves 110 adults with IDD already placed in competitive, integrated employment, and it will facilitate 34 new job placements in California. These funds will also provide public speaking training to 30 unduplicated participants with IDD through the Best Buddies Ambassador Program.

The advocates state that $1.5 million in 2018-19 would serve a minimum of 8,000 students with and without IDD through 137 existing school-based chapters, launch a minimum of 20 new chapters in elementary, middle, high school, and college chapters in Los Angeles, the Inland Empire, Central California, Northern California, Orange County and/or San Diego; recruit and train a minimum of 780 student leaders with and without IDD, including 30 unduplicated individuals with IDD through Best Buddies Ambassadors, at the local or international level; provide opportunities for the development of critical social skills in at least 3,000 individuals with IDD through frequent contact with typical peers; execute 624 inclusive social and recreational group activities that engage school-based participants; provide a minimum of 122 individuals with IDD continued support and access to competitive, integrated employment; expand employment services to include a class of nine new interns at the Fresno Project

SEARCH site, 12 new job placements in Northern California, 10 new job placements in Los Angeles, five new job placements in Long Beach, and intake a class of eight new interns in the Harbor City Project SEARCH 2018-2019 class.

STAFF COMMENT

The state has provided intermittent General Fund support to Best Buddies over the past several years.

Staff Recommendation:

Hold open.

ISSUE 11: ADVOCACY REQUEST REGARDING COMMUNITY-BASED VOCATIONAL DEVELOPMENT SERVICES

PANEL

- Assemblymember Jim Frazier
- Barry Jardini, Government Affairs Director, California Disability Services Association
- Will Sanford, Executive Director, Futures Explored
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

PROPOSAL

The Subcommittee is in receipt of a proposal from Assemblymember Jim Frazier requesting $5 million General Fund in 2018-19 to facilitate employment exploration and discovery for individuals with intellectual and developmental disabilities through community-based vocational development (CBVD) services. Additionally, the proposal would provide a mechanism for consumers in work activity programs and group supported employment to transition into more competitive, integrated employment if desired by the consumer.

Assemblymember Frazier states that the recent California Competitive Integrated Employment Blueprint includes CBVD services as a method to prepare consumers for competitive integrated employment, and this budget request would make that possible. Additionally, California's Employment First Policy and changes to the federal home and community-based services (HCBS) setting rule require the state to increase opportunities for individuals with developmental disabilities to achieve competitive, integrated employment. The purpose of the HCBS rule is to ensure that individuals receive services in settings that are integrated in and support full access to the greater community, which includes opportunities to seek employment and work in competitive and integrated settings. In order to ensure continued federal financial participation, services must follow the new rule by March 2022.

Employment exploration and discovery is the missing link in services provided to people with autism and other developmental disabilities. People with disabilities who work in paid, community integrated settings have a higher quality of life, better health outcomes, more access to social relationships, and greater community participation. They use less publicly funded healthcare, less publicly funded services and resources, and they pay taxes. The current funding structure of Supported Employment Services does not provide sufficient pre-employment services to allow in-depth exploration of the individual's interests and potential, nor does it allow the employment provider to do sufficient targeted outreach and job analysis with potential employers on behalf of the individual to secure employment opportunities that maximize the individual's potential. The current funding structure often results in limiting the career starting point of the individual as well as their long-term vocational success.

STAFF COMMENT

Details of the request and the mechanics of how the funding would be administered are pending review at the time of this writing.

Staff Recommendation:

Hold open.

ISSUE 12: ADVOCACY REQUEST ON ASSESSING NEEDS IN THE DDS SYSTEM

PANEL

- Assemblymember Tom Lackey
- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Jacob Lam, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

PROPOSAL

The Subcommittee is in receipt of a proposal from Assemblymember Tom Lackey. Asm. Lackey states that, currently, DDS collects and reports a great deal of information about consumers (such as caseload, age, qualifying diagnoses, race/ethnicity, language, mental and physical health status, and region, among other characteristics) based on data collected through the Individual Program Plan (IPP), Client Development Evaluation Report (CDER), National Core Indicators (NCI), etc. DDS also has information about vendors, such as the number of providers within each service category, amount of POS expenditures by vendor and by service category, location of vendors, each vendor's rate, etc.

Asm. Lackey states that what seems to be missing is a clear and easily-reportable link between the two, which is needed to identify service gaps. For example, DDS does not necessarily report how many consumers use each type of service. It is not known, quantitatively, in which service categories access is most problematic. Among which consumers is access the most problematic? How does this affect consumer outcomes and ability to achieve IPP goals and objectives? How does this affect consumer choice? We do not have good data on the root causes of service gaps (gaps, which for now, are mostly anecdotally identified). Are service gaps all the result of rates and in which service categories (and in which areas) is this more problematic? To what extent is the problem related to recruitment and retention of qualified staff (which could also be related to rates)? To what extent is transportation a problem, for both vendors and consumers?

"Although it is critical to engage stakeholders and Regional Centers in the process, relying strictly on stakeholders without factual data regarding unmet needs has the potential to result in spending decisions that are based on the opinions of whoever happens to attend the meetings to provide input, and which Regional Centers are best at compiling data and preparing good proposals, rather than those things only being parts of the puzzle that are considered along with actual facts.

A good first step in better understanding the “missing link” between data about consumers and vendors would be for statute to direct the convening of a workgroup comprised of DDS staff, legislative staff, Regional Center staff, and stakeholders (including service providers, consumers, and families), to develop a plan for improving DDS’s data collection processes in an effort to better identify and quantify service gaps (in a systematic way) and the root causes of these service gaps.

The overall objective would be to more effectively use data to inform the administration and assist our legislative decision-making about funding. This group could work in concert with the DS Taskforce, given the DS Taskforce’s efforts to develop guidelines about use of community resource development funds. However, the scope of this new workgroup would be broader in nature."

Staff Recommendation:

Hold open.