

**Department of Developmental Services**

**2011-12 Budget Highlights**



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January 2011

# DEPARTMENT OF DEVELOPMENTAL SERVICES 2011-12 BUDGET HIGHLIGHTS

## PROGRAM HIGHLIGHTS

The Department of Developmental Services (the Department) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that more than 246,000 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. Proposed system-wide funding for 2011-12 is \$4.5 billion (\$2.4 billion General Fund).

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 that are coordinated by one of 21 non-profit corporations known as regional centers. A small number of individuals live in four state-operated developmental centers and one state-operated community facility. The number of consumers with developmental disabilities in the community served by regional centers is expected to grow in fiscal year 2011-12 to 251,702. The number of consumers living in state-operated residential facilities will decrease by the end of fiscal year 2011-12 to 1,691.

During the development of the 2009-10 and 2010-11 Governor's Budgets, the Department with input from a workgroup comprised of regional centers, service provider representatives, advocacy groups, consumers and family members, and legislative staff developed proposals to reduce or restrict General Fund growth in the Department's budget. In 2009-10, the Department developed proposals that resulted in approximately \$334 million in General Fund savings and an additional \$200 million in 2010-11. Savings proposals impacted both the developmental center and regional center budgets, and included a variety of strategies such as restructuring, reducing or suspending various services, restricting eligibility for certain services, and maximizing other available funding sources, primarily federal funds. In addition to these proposals, payments for community services were reduced by 3 percent in 2009-10 and 4.25 percent in 2010-11.

The Department's budget was expected to grow in 2011-12 by \$289.9 million compared to the enacted budget due to increased caseload; utilization and the expiration of the 4.25 percent payment reduction. In addition, the General Fund need was increasing by \$195.6 million due to the end of the federal stimulus funding. Given the continued pressure on the General Fund, the Governor's Budget proposes to reduce from the projected budget \$750 million in General Fund system wide through additional federal revenues, increased accountability, further expenditure reductions and cost containment measures, with the intent of maintaining the Lanterman entitlement to community-based services for individuals to avoid more costly institutionalization. The Department remains committed to the preservation of services and supports and the continued implementation of the individualized planning process mandated in the Lanterman Act and the Early Intervention Services Act as the state bridges this fiscal crisis.

The Department will pursue system-wide proposals to achieve the \$750 million General Fund savings contained in the Governor's Budget for 2011-12, including but not limited to:

- Pursuing additional federal funds for treatment services provided to individuals residing in the secure facility at Porterville Developmental Center. It is anticipated that this will result in General Fund savings of \$10 million in 2011-12. The Department will also consider other proposals to achieve General Fund savings.
- Continuation of the temporary regional center and service provider payment reductions. The 2010-11 budget contains a 4.25 percent reduction to regional centers and service provider payments. These payment reductions are scheduled to sunset on June 30, 2011. The Governor's Budget proposes to extend both payment reductions for another year resulting in General Fund savings of \$91.5 million in 2011-12.
- Continued Proposition 10 funding. The regional center budget includes \$50 million in reimbursement funding in 2010-11 from the California Children and Families Commission (Proposition 10). These funds are used to provide services to consumers from birth to age five. The Governor's Budget proposes to continue this funding in 2011-12, resulting in a General Fund savings of \$50 million.
- Increased federal funds for community services. The Department has been successful in maximizing available federal funds associated with the Medicaid Home and Community-Based Services Waiver, and recouping federal funding for certain services provided through Intermediate Care Facilities for the developmentally disabled. This proposal would focus on increasing federal funding by: (1) expanding the pending federal 1915(i) State Plan Amendment to include additional consumers and related expenditures consistent with recent federal healthcare reforms, (2) maximizing use of federal "Money Follows the Person" funding for individuals placed out of institutions and (3) pursuing other enhanced federal funding opportunities. This proposal would at a minimum save \$65 million General Fund in 2011-12.
- Increased accountability and transparency. This proposal would set parameters on the use of state funds for administrative expenditures of regional centers and service providers; increase auditing requirements; increase disclosure requirements; and maximize recoveries from other responsible parties.
- Implementation of statewide service standards. This proposal would establish statewide service standards that set parameters and promote consistency in the array of services available through the regional centers. The Department, with input from stakeholders, will develop standards for regional centers to use when purchasing services for consumers and families. In developing these standards, the Department will consider eligibility for the

service, duration, frequency and efficacy of the service, service provider qualifications and performance, rates, parental and consumer responsibilities, and self-directed services options. The Department will also consider the impact of the standards, coupled with prior reductions in the service area, on consumers, families and providers. The Department will ensure that changes are made consistent with the Lanterman Act and Government Code (Early Start program) and specify notification requirements. Standards may vary by service category. It is anticipated the implementation of additional service standards will result in significant General Fund savings.

## **COMMUNITY SERVICES PROGRAM**

### **2010-11 Updates**

To provide services and support to 244,108 persons with developmental disabilities in the community, the Governor's Budget updates 2010-11 funding to \$4.1 billion total funds (\$2.2 billion General Fund). The Governor's Budget includes an increase of \$0.1 million total funds (decrease of \$169 million General Fund) for regional center operations and purchase of services (POS). This is composed of:

#### **Caseload and Utilization**

- \$12.4 million increase in POS costs primarily due to updated caseload and expenditure data.
- \$18.1 million decrease in Prevention Program costs due to updated caseload data.
- \$0.5 million decrease due to the delayed implementation of the Self Directed Services program.
- \$0.5 million increase in Quality Assurance Fees due to technical adjustments.
- \$2.6 million increase in regional center operations costs primarily due to increases in Home and Community-Based Services (HCBS) Waiver enrollments that result in more of the community caseload at the 1:62 case manager ratio.

#### **Federal Stimulus Funds**

- An increase of \$100.9 million in reimbursements and corresponding decrease in General Fund due to additional federal stimulus funding carried in a state-wide budget item in the enacted budget that is now reflected in the Department's budget.

#### **Homeland Security Grant**

- \$0.2 million increase to reflect the implementation of a State Homeland Security Grant award that will fund projects to regional centers to prevent, protect against, respond to and recover from acts of terrorism and other catastrophic events.

## **Impacts from Other Departments**

- \$3.0 million increase to reflect the impact of service reduction proposals in Medi-Cal and Supplemental Security Income/State Supplementary Payment (SSI/SSP) programs that are included in the Governor's Budget and increase regional centers POS costs in 2010-11. These programs are considered generic resources, with regional centers being the payor of last resort when services are not available from a generic resource. The service reductions include:
  - \$0.4 million increase to reflect the reduction of the maximum monthly State Supplementary Payment grant to aged/disabled individuals to the Maintenance of Effort (MOE) floor effective June 1, 2011; and
  - \$2.6 million increase to reflect the elimination of Adult Day Health Care (ADHC) services, effective June 1, 2011.

## **2011-12**

For 2011-12, the budget projects the total community caseload at 251,702, an increase of 7,594 consumers over the revised 2010-11 caseload. The budget proposes 2011-12 funding for services and support to persons with developmental disabilities in the community at \$3.8 billion total funds (\$2.0 billion General Fund), a decrease of \$329.3 million (\$322.2 million General Fund) over the enacted 2010-11 budget; or compared to the updated 2010-11 budget, a decrease of \$329.5 million (\$153.1 million General Fund). This is composed of:

### **Caseload and Utilization**

- \$149.7 million increase in POS and Prevention Program due to increased caseload and utilization.
- \$0.5 million decrease due to the delayed implementation of the Self-Directed Services program.
- \$13.0 million increase in regional center operations costs primarily due to caseload increases and additional HCBS waiver enrollments.

### **Federal Stimulus Funds**

- An increase of \$134.1 million in General Fund and corresponding decrease in reimbursements due to the end of federal stimulus funding. The federal government assumed a greater share of program costs during the stimulus period of October 2008 through June 2011.

### **Continuation of Temporary 4.25 Percent Regional Center and Provider Payment Reduction**

- The Governor's Budget proposes continuation of the 4.25 percent payment reduction in 2011-12. The reduction impacts both regional center operations and POS for a total decrease of \$165.5 million (\$91.5 million General Fund).

There is an incremental decrease from 2010-11 of \$2.8 million due to the reduced total funding level in 2011-12.

### **Proposition 10 Funding**

- The Governor's Budget proposes to continue reimbursement funding from the California Children and Families Commission (Proposition 10) in 2011-12, resulting in a General Fund savings of \$50 million. These funds are used to provide services to consumers from birth to age five.

### **Quality Assurance Fees**

- \$27.2 million decrease in 2011-12, as the 2010-11 budget included costs associated with retroactive processing of claims for 2007-08 through 2010-11 (four years) that is not required in the budget year. These costs related to increasing FFP for day treatment and transportation costs for residents of Intermediate Care Facilities for individuals with developmental disabilities (ICF-DD). The 2011-12 budget retains \$9.5 million for budget year claims.

### **New Major Assumption, Financial Management Services (FMS) for Participant-Directed Services**

- \$1.7 million increase to establish FMS as an option for vouchered respite, transportation, and day care services consistent with federal requirements to renew the HCBS waiver.

### **Impacts from Other Departments**

- \$70.1 million increase to reflect the impact of service reductions proposals in Medi-Cal and SSI/SSP programs that will increase regional centers POS costs in 2011-12. The service reductions include:
  - \$5.0 million increase to reflect the reduction of the maximum monthly State Supplementary Payment grant to aged/disabled individuals to MOE floor, effective June 1, 2011;
  - \$32.1 million increase to reflect the elimination of ADHC services, effective June 1, 2011; and
  - \$33.0 million increase to reflect costs associated with Medi-Cal reductions due to the addition of co-payments and service limits effective October 1, 2011.

### **Increased Accountability and Transparency and System-wide Cost Containment Measures**

- The Governor's Budget proposes increased accountability and transparency and system-wide cost containment measures to generate significant General Fund savings necessary to achieve the balance of overall required reduction of \$750 million. The proposal would set parameters on the use of state funds for administrative expenditures of regional centers and service providers;

increase auditing requirements; increase disclosure requirements; and maximize recoveries from other responsible parties. In addition, the proposals would establish statewide service standards that set parameters and promote consistency in the array of services available through the regional centers. These proposals will be adjusted in the May Revision to reflect savings in the Department's headquarters, developmental center, regional center operations or purchase of service budgets consistent with the Department's proposals.

## **DEVELOPMENTAL CENTERS PROGRAM**

### **2010-11 Update**

To provide services and support for persons with developmental disabilities that live in four state-operated developmental centers and one state-operated community facility the budget updates 2010-11 funding to \$607.6 million (\$282.8 million General Fund), a decrease of \$38.5 million total funds (\$32.1 million General Fund) from the Budget Act of 2010. The decrease reflects a variety of adjustments including salary reductions consistent with Executive Order S-01-10 to lower state staffing costs (a.k.a. Workforce Cap Plan) and statewide employee compensation adjustments from changes to collective bargaining agreements, including the elimination of the state furlough program accompanied by salary reductions and other leave and benefit contribution changes. Developmental Centers authorized positions are updated from 6,237.6 to 6,210.6, a reduction of 27 positions from the Budget Act.

### **Developmental Center Population Adjustments**

The Governor's Budget does not change the Budget Act's assumption of consumers residing in a Developmental Center or Community Facility of 1,979.

### **2011-12**

The Governor's Budget proposes 2011-12 funding for services and supports to persons with developmental disabilities that live in four state-operated developmental centers and one state-operated community facility at \$618.1 million (\$324.0 million General Fund), a decrease of \$28.0 million total funds (\$9.1 million General Fund increase) over the Budget Act of 2010; or compared to the updated 2010-11 budget, an increase of \$10.6 million (\$41.2 million General Fund). The changes primarily include an increase in General Fund and corresponding decrease in reimbursements due to the end of federal stimulus funding (\$27 million); staffing adjustments for decreased resident population; salary reductions consistent with Executive Order S-01-10 to lower state staffing costs and statewide employee compensation adjustments from changes to collective bargaining agreements, including the elimination of the state furlough program accompanied by salary reductions and other leave and benefit contribution changes. Some savings associated with collective bargaining are not included in the Department's budget, but rather reflected in a statewide budget item, giving the misleading appearance of a cost increase. Total authorized positions decline from 6,237.6 to 5,922.0, a reduction of 315.6 positions from the Budget Act.

## **Cost Containment Measure - Additional Federal Funds**

- As part of the \$750 million savings proposal, the Department will pursue additional federal funds for treatment services provided to individuals residing in the secure facility at Porterville Developmental Center. It is anticipated this will result in General Fund savings of \$10 million in 2011-12. The Department will also consider other proposals to achieve General Fund savings.

## **Developmental Center Population Adjustments**

Considering the timing of consumer placements, an average annual population is used to develop the budget estimate. The budget reflects an average population reduction of 196 consumers (from 1,979 to 1,783). The number of consumers living in state-operated residential facilities will decrease by the end of fiscal year 2011-12 to 1,691.

## **HEADQUARTERS**

### **2010-11 Update**

In support of the Community Services and Developmental Center Programs, the budget updates the 2010-11 funding for headquarters operations to \$35.8 million (\$22.8 million General Fund), a decrease of \$2.4 million (\$1.6 million General Fund) compared to the Budget Act of 2010, primarily due to salary reductions consistent with Executive Order S-01-10 to lower state staffing costs and statewide employee compensation adjustments from changes to collective bargaining agreements, including the elimination of the state furlough program accompanied by salary reductions and other leave and benefit contribution changes.

### **2011-12**

The Governor's Budget provides funding for 2011-12 headquarters operations of \$38.6 million (\$24.6 million General Fund), an increase of \$0.4 million (\$0.2 million General Fund) compared to the Budget Act of 2010, primarily due to statewide employee compensation adjustments from changes to collective bargaining agreements, including the elimination of the state furlough program accompanied by salary reductions and other leave and benefit contribution changes. Some savings associated with collective bargaining are not included in the Department's budget, but rather reflected in a statewide budget item, giving the misleading appearance of a cost increase.

## **CLOSURE OF LANTERMAN DEVELOPMENTAL CENTER**

As part of the Governor's Budget, the Department has provided a comprehensive update on the closure activities at Lanterman Developmental Center (LDC). The Department is now proceeding with implementation activities consistent with the Closure Plan presented on April 1, 2010. The initiation of most activities was delayed until October 2010, after enactment of the Budget Act of 2010 and the associated trailer bill.



## **DEVELOPMENTAL CENTERS CAPITAL OUTLAY**

(Funding not included in the Budget Highlights totals)

### **Developmental Centers**

Federal mandates require automatic fire sprinkler systems for Acute Care hospitals and Nursing Facilities by August 2013 (Federal Rule 42, Code of Federal Regulations 483.70). The capital outlay budget includes \$2.0 million General Fund to design and install automatic fire sprinklers in 13 buildings that house Nursing Facility and General Acute Care consumers at the Fairview, Porterville and Sonoma Developmental Centers. The project also includes necessary associated work, such as asbestos removal, electrical and plumbing renovations, and minor construction as necessary to meet code requirements to accommodate the automatic fire sprinkler system installations. The proposal funds the preparation of preliminary plans and working drawings for the project.

### **Fairview Developmental Center**

The Governor's Budget includes reappropriation of funding for an addressable fire alarm system, already approved by the Legislature, in consumer utilized buildings at Fairview Developmental Center. This project continues to be a critical safety improvement, licensing and code compliance need for Fairview's consumers, staff, and visitors. The capital outlay budget has already funded the preliminary plans and drawings for this project. The 2011-12 capital outlay budget includes \$8.6 million General Fund for the construction phase to complete the project.

### **Sonoma Developmental Center**

The Governor's Budget includes funding for the construction phase for a new piping system, already approved by the Legislature, to supply additional oxygen, medical air and suction, and a new oxygen storage tank at the Johnson/Ordahl building at Sonoma Developmental Center. The project was delayed as part of the \$334 million General Fund savings in 2009-10, but remains a critical health and safety need for Sonoma's medically fragile consumers and for the staff. The 2011-12 capital outlay budget includes \$2.7 million General Fund to complete the project.

**DEPARTMENT OF DEVELOPMENTAL SERVICES  
2011-12 NOVEMBER ESTIMATE**

**FUNDING SUMMARY**  
*(Dollars in Thousands)*

	2010-11	2011-12	Difference
<b>BUDGET SUMMARY</b>			
COMMUNITY SERVICES	\$4,126,757	\$3,797,294	-\$329,463
DEVELOPMENTAL CENTERS	607,565	618,127	10,562
HEADQUARTERS SUPPORT	35,796	38,607	2,811
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<b>TOTALS, ALL PROGRAMS</b>	<b>\$4,770,118</b>	<b>\$4,454,028</b>	<b>-\$316,090</b>
<b>FUND SOURCES</b>			
General Fund	\$2,505,611	\$2,395,521	-\$110,090
Reimbursements: Totals All	2,204,480	1,998,494	-205,986
<i>Home &amp; Community Based Serv. (HCBS) Waiver</i>	1,180,472	1,012,350	-168,122
<i>HCBS Waiver Administration</i>	8,690	9,101	411
<i>Medicaid Administration</i>	13,412	13,676	264
<i>Targeted Case Management</i>	163,397	131,204	-32,193
<i>Targeted Case Management Administration</i>	3,659	3,693	34
<i>Targeted Case Management SPA, ICF-DD</i>	6,421	5,377	-1,044
<i>Medi-Cal</i>	304,943	272,346	-32,597
<i>Title XX Social Services Block Grant</i>	225,060	225,060	0
<i>Self-Directed HCBS Waiver</i>	346	384	38
<i>Self-Directed HCBS Waiver Administration</i>	431	431	0
<i>ICF-DD/State Plan Amendment</i>	62,295	52,780	-9,515
<i>Quality Assurance Fees (DHCS)</i>	34,565	8,727	-25,838
<i>Vocational Rehabilitation</i>	118	118	0
<i>Counties Children &amp; Families Account</i>	50,000	50,000	0
<i>1915(i) State Plan Amendment</i>	120,383	160,807	40,424
<i>Impacts from Other Departments FFP</i>	1,550	16,037	14,487
<i>Money Follows the Person</i>	3,537	8,537	5,000
<i>Homeland Security Grant</i>	0	210	210
<i>All Other</i>	25,201	27,656	2,455
Federal Trust Fund	54,793	54,782	-11
Lottery Education Fund	372	372	0
Program Development Fund (PDF)	3,579	3,576	-3
Mental Health Services Fund	1,133	1,133	0
Developmental Disabilities Svs Acct	150	150	0
<b>AVERAGE CASELOAD</b>			
Developmental Centers	1,979	1,783	-196
Regional Centers	244,108	251,702	7,594
<b>AUTHORIZED POSITIONS</b>			
Developmental Centers	6,210.6	5,922.0	-288.6
Headquarters	380.5	380.5	0.0

**DEPARTMENT OF DEVELOPMENTAL SERVICES  
2011-12 NOVEMBER ESTIMATE**

(Dollars in Thousands)

	2010-11	2011-12	Difference
<b>Community Services Program</b>			
Regional Centers	\$4,126,757	\$3,797,294	-\$329,463
<b>Totals, Community Services</b>	<b>\$4,126,757</b>	<b>\$3,797,294</b>	<b>-\$329,463</b>
General Fund	\$2,200,022	\$2,046,895	-\$153,127
Dev Disabilities PDF	3,292	3,296	4
Developmental Disabilities Svs Acct	150	150	0
Federal Trust Fund	51,898	51,898	0
Reimbursements	1,870,655	1,694,315	-176,340
Mental Health Services Fund	740	740	0
<b>Developmental Centers Program</b>			
Personal Services	\$480,001	\$490,609	\$10,608
Operating Expense & Equipment	127,564	127,518	-46
<b>Total, Developmental Centers</b>	<b>\$607,565</b>	<b>\$618,127</b>	<b>\$10,562 *</b>
General Fund	\$282,785	\$323,992	\$41,207
Federal Trust Fund	529	530	1
Lottery Education Fund	372	372	0
Reimbursements	323,879	293,233	-30,646
<b>Headquarters Support</b>			
Personal Services	\$30,541	\$33,335	\$2,794
Operating Expense & Equipment	5,255	5,272	17
<b>Total, Headquarters Support</b>	<b>\$35,796</b>	<b>\$38,607</b>	<b>\$2,811 *</b>
General Fund	\$22,804	\$24,634	\$1,830
Federal Trust Fund	2,366	2,354	-12
PDF	287	280	-7
Reimbursements	9,946	10,946	1,000
Mental Health Services Fund	393	393	0
<b>Totals, All Programs</b>	<b>\$4,770,118</b>	<b>\$4,454,028</b>	<b>-\$316,090</b>
<b>Total Funding</b>			
General Fund	\$2,505,611	\$2,395,521	-\$110,090
Federal Trust Fund	54,793	54,782	-11
Lottery Education Fund	372	372	0
Dev Disabilities PDF	3,579	3,576	-3
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,204,480	1,998,494	-205,986
Mental Health Services Fund	1,133	1,133	0
<b>Caseloads</b>			
Developmental Centers	1,979	1,783	-196
Regional Centers	244,108	251,702	7,594
<b>Authorized Positions</b>			
Developmental Centers	6,210.6	5,922.0	-288.6
Headquarters	380.5	380.5	0.0

\* Compared to the Budget Act, the Developmental Centers budget is reduced by \$27,964,000 and the Headquarters budget increased by \$380,000.