

**Department of Developmental Services**

**May Revision Highlights**



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# **DEPARTMENT OF DEVELOPMENTAL SERVICES MAY REVISION HIGHLIGHTS**

## **PROGRAM HIGHLIGHTS**

The Department of Developmental Services (Department or DDS) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that approximately 300,000 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.

California provides services and supports to individuals with developmental disabilities 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. 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 290,496 in the current year to 302,610 in Fiscal Year (FY) 2016-17. The number of individuals living in state-operated residential facilities is estimated to be 747 by the end of FY 2016-17.

### **Developmental Center Closures**

On October 1, 2015, DDS submitted to the Legislature a plan for the closure of the Sonoma DC (Sonoma). Subsequently on April 1, 2016, DDS submitted to the Legislature a plan for the closure of the Fairview DC (Fairview) and the Porterville DC – General Treatment Area (Porterville GTA). In light of the planned closures, DDS proposes funding and policy changes to support closure activities and continuity of care for DC residents. More specifically, through a Spring Finance Letter, DDS requested \$2.2 million General Fund (GF) to contract with the Department of General Services for an assessment of the Sonoma property, buildings, and clinical records necessary to inform decisions regarding potential uses. Additionally, the May Revision proposes trailer bill language (TBL) that will make it easier for DC employees to become vendored community providers. Further, in consultation with the Department of Health Care Services (DHCS), DDS proposes TBL that requires DHCS to issue transition requirements related to managed care for qualified individuals moving into the community. Finally, the May Revision announces that the State's general compensation budget provisions include funding for retention incentives for DC employees to remain working at the DCs throughout transition and closure.

As required by Senate Bill 82 (Chapter 23, Statutes of 2015) the Department included in its Developmental Center Estimate, a report on the impacts to the General Fund from closure activities.

## May Revision Budget Summary

The May Revision includes \$6.7 billion total funds (TF) (\$4.0 billion GF) for the Department in 2016-17; a net increase of \$835 million above the updated 2015-16 budget, or a 14.3 percent TF increase.

<b>FUNDING SUMMARY</b> <i>(Dollars in Thousands)</i>				
	<b>2015-16</b>	<b>2016-17</b>	<b>Difference</b>	<b>Percent of Change</b>
<b>BUDGET SUMMARY</b>				
Community Services	\$5,226,588	\$6,101,073	\$874,485	16.7%
Developmental Centers	570,036	525,970	-44,066	-7.7%
Headquarters Support	46,018	50,362	4,344	9.4%
<b>TOTAL, ALL PROGRAMS</b>	<b>\$5,842,642</b>	<b>\$6,677,405</b>	<b>\$834,763</b>	<b>14.3%</b>
<b>GENERAL FUND</b>				
Community Services	\$3,043,845	\$3,632,201	\$588,356	19.3%
Developmental Centers	345,477	306,836	-38,641	-11.2%
Headquarters Support	29,857	33,158	3,301	11.1%
<b>GF TOTAL, ALL PROGRAMS</b>	<b>\$3,419,179</b>	<b>\$3,972,195</b>	<b>\$553,016</b>	<b>16.2%</b>

For more details, see Budget Summary and Funding Charts on pages 9-10.

## COMMUNITY SERVICES PROGRAM

### 2015-16

To provide services and support to 290,496 individuals in the community, the May Revision updates the Governor's Budget to \$5.2 billion TF (\$3.0 billion GF). This reflects a net decrease of \$47 million TF (\$23.9 million GF decrease) as compared to the Governor's Budget for regional center operations (OPS) and purchase of services (POS). This decrease is comprised of:

#### Caseload and Utilization:

\$2.5 million net decrease (\$0.9 million GF decrease) in regional center OPS and POS as follows:

- OPS increase of \$28,000 (\$1.6 million GF increase)
- POS decrease of \$2.5 million (\$2.5 million GF decrease)

The increase in OPS is for ICF-DD SPA Administration Fees resulting from increased expenditures for adult day treatments and transportation services for residents of ICF-DDs. The decrease in POS is the net difference of adjustments for all purchase of service budget categories based on updated, actual expenditures.

**Update on Implementation of Fair Labor Standards Act (FLSA) Regulations**

\$7.2 million decrease (\$3.9 million GF decrease) in POS for delayed implementation of FLSA provisions to include home care workers in overtime compensation. The Governor's Budget reflected an October 1, 2015 implementation date. However, the actual implementation was December 1, 2015.

**Update on AB 1522 Employment Paid Sick Days**

\$7.5 million decrease (\$4.3 million GF decrease) in POS reflecting more current expenditures resulting from the implementation of paid sick days by service providers.

**Transition of Behavioral Health Treatment (BHT) Services to the Department of Health Care Services (DHCS):**

\$29.8 million decrease (\$14.9 million GF decrease) in POS to reflect a reduction in expenditures for the transition of BHT services to DHCS which began on February 1, 2016, and to reflect full year implementation of regional center consumers who began receiving BHT services from DHCS on September 1, 2014.

**2016-17**

The May Revision projects the total community caseload at 302,610 consumers, reflecting an increase of 191 consumers over the Governor's Budget. The May Revision proposes total funding of \$6.1 billion (\$3.6 billion GF) for services and supports for regional center consumers living in the community. This reflects a net increase of \$327 million (\$205 million GF) from the Governor's Budget. The Community Services budget changes include:

**Caseload and Utilization:**

\$7.6 million increase (\$7.6 million GF decrease) in regional center OPS and POS as follows:

- OPS increase of \$900,000 (\$1 million GF increase)
- POS increase of \$6.7 million (\$8.6 million GF decrease)

The OPS increase is the net of increased staffing resulting from increased caseload and adjustments for OPS Projects. The POS increase is the net difference of adjustments for all purchase of service budget categories based on updated caseload and expenditure projections.

**Assembly Bill 1, 2<sup>nd</sup> Extraordinary Session, Chapter 3, Statutes of 2016 (ABX2 1)**

\$480.7 million increase (\$293 million GF) to reflect amounts appropriated through special legislation for both OPS and POS, as well as funds requested to implement new requirements specified in ABX2 1. This includes:

- \$45.6 million increase (\$31.1 million GF) in OPS appropriated for regional center staffing, benefits, administrative expenses, and clients' rights advocates contracts.

- \$11.0 million GF in OPS for regional centers to implement plans to reduce disparities in the provision of services to underserved populations, and to provide bilingual pay differentials.
- \$4.5 million increase (\$3.1 million GF) in OPS for regional centers to oversee implementation of recommendations and plans to reduce disparities in the provision of services to underserved populations, and to lead competitive integrated employment activities at the local level.
- \$3.0 million GF for DDS resources to contract for a rate study addressing the sustainability, quality, and transparency of community-based services.
- \$416.6 million (\$244.4 million GF) appropriated for POS, comprised of:
  - \$34.3 million for a 5% rate increase for Supported Living and Independent Living.
  - \$16.4 million for a 5% rate increase for Respite.
  - \$13.9 million for a 5% rate increase for Transportation.
  - \$294.8 million to provide an increase of approximately 7.5% for direct care staff wages.
  - \$17.3 million to provide an increase of approximately 2.5% for provider administrative costs.
  - \$10.9 million to restore the hourly rate for Supported Employment to \$34.24; an increase of \$3.42 per hour.
  - \$29 million for paid internships and competitive integrated employment incentives.

The Department is also proposing TBL to amend portions of ABX2 1 to include out-of-home respite services in the 5% respite rate increase, and to clarify that all vendors, not just supported employment vendors, are eligible for competitive integrated employment incentives.

**Senate Bill (SB) 3, Chapter 4, Statutes of 2016, Minimum Wage Increase**

\$21.2 million increase (\$12 million GF) in POS to reflect costs associated with state-mandated hourly minimum wage increase from \$10.00 to \$10.50 effective January 1, 2017. Additionally, the Department is proposing TBL to allow regional centers to negotiate rates with service providers to account for minimum wage increases.

**Update on Implementation of FLSA Regulations**

\$35.7 million decrease (\$19.3 million GF decrease) to refine the estimate of expenditures for FLSA provisions to include home care workers in overtime compensation.

**Update on AB 1522 Employment: Paid Sick Days**

\$6.3 million decrease (\$3.6 million GF decrease) in POS to reflect more current expenditures resulting from the implementation of paid sick days by service providers.

**Transition of BHT Services to DHCS:**

\$140.5 million decrease (\$69.4 million GF decrease) in POS to reflect a reduction in expenditures for the transition of BHT services to DHCS which began on February 1, 2016, and to account for regional centers continuing to provide BHT services to fee-

for-service consumers through an interagency/reimbursement agreement with DHCS.

## **DEVELOPMENTAL CENTERS PROGRAM**

### **2015-16**

To provide services and support to 1,011 residents in developmental centers (average in-center population), the May Revision updates the Governor's Budget to \$570 million TF (\$345 million GF); a net decrease of \$4.1 million TF (-\$3.3 million GF). The decrease revises Governor's Budget funding proposals for staffing adjustments, Sonoma preliminary advanced closure costs, and full year costs to staff the acute crisis unit at Sonoma. Due to higher than anticipated employee vacancy rates, DDS projects salary savings available for one-time redirection to fund these items.

The May Revision proposes no changes to the projected resident population or number of DC staff positions.

### **2016-17**

The May Revision updates total funding to \$526 million (\$307 million GF); a decrease of \$2.3 million (\$2.9 million GF decrease) from the revised Governor's Budget. This amount reflects a \$2.2 million increase requested through a Spring Finance Letter for DDS to contract with the Department of General Services for a site assessment of Sonoma. The \$2.3 million budget year decrease is due to the following:

#### Independent Monitoring Contract for Fairview and Porterville GTA:

- \$1.9 million increase (\$1.2 million GF) to fund an independent monitoring contract. While negotiations with the Centers for Medicare and Medicaid Services (CMS) remain ongoing for the continued certification of Fairview and Porterville GTA, DDS anticipates a requirement for independent monitoring at Fairview and Porterville GTA similar to the requirement at Sonoma.

#### Revised Office of Protective Services' Records Management System:

- \$0.4 million decrease (\$0.3 million GF decrease) in funding requested to procure a Records Management System. Given the critical need for the system, DDS reprioritized information technology projects and purchased the system using existing FY 2015-16 base funding.

#### Revised DC Audit Findings

- \$3.8 million GF decrease in funds requested to repay audit findings to DHCS. After the release of the Governor's proposed budget for 2016-17, DHCS reduced the amount due from DDS for prior year audit findings payable in both 2015-16 and 2016-17. Funds transferred in 2015-16 through a Budget Revision from Local Assistance to State Operations are now sufficient for DDS to repay DHCS for 2011-12 audit findings that were previously budgeted at \$3.8 million for repayment in 2016-17.

The 2016 May Revision proposes no changes to the projected resident population or number of DC positions for 2016-17.

In addition to fiscal changes, DDS' May Revision for the DC Estimate includes important policy changes to provide continuity of care for DC residents throughout closure, and to encourage and assist the development of community resources. The changes include:

Retention Incentive for DC Employees

- DDS proposes a retention incentive to encourage DC employees to remain employed and provide continuity of habilitation and treatment services and ensure the health and safety of DC residents throughout closure. The funding for the retention incentive is included in the State's general compensation budget provisions, and will be subject to the State's collective bargaining processes.

Public Contract Code Exemption for DC Employees

- DDS proposes an exemption from Public Contract Code Section 10410 to allow current DC employees to become community based service providers before terminating their State employment. The current requirement for State-employment termination is a disincentive to employees, and the exemption will help retain qualified staff in the developmental disabilities services system during and after the closure of the DCs.

Managed Care Provision for DC Closures

- DDS, in consultation with DHCS, proposes TBL that requires DHCS to issue transition requirements related to managed care for qualified individuals moving into the community from the Sonoma, Fairview, and Porterville GTA DCs. The TBL is necessary for the coordination and provision of specialized health and medical care for Medi-Cal eligible residents transitioning into the community.

Community State Staff

- DDS remains committed to the use of the Community State Staff Program and continues to explore options to encourage community providers to employ DC employees.

**HEADQUARTERS**

There are no changes for 2015-16.

**2016-17**

DDS' May Revision includes one Budget Change Proposal (BCP) requesting \$752,000 (\$513,000 GF) to fund 5.0 positions and temporary help for Headquarters programs to implement the requirements of ABX2 1. More specifically, DDS requests positions and resources to collaborate with regional centers and a wide variety of other stakeholders to implement recommendations and plans to reach underserved populations, complete a rate study addressing the sustainability of community based services, and establish guidelines for two new initiatives related to statewide competitive integrated

employment for individuals with developmental disabilities. The resources will also provide for the oversight and reporting of new competitive integrated employment initiatives, the allocation and reporting of funds and effects of regional center and provider salary and rate increases, and the monitoring and analysis of regional center expenditures and utilization of service codes as a basis to inform future estimates.

**CAPITAL OUTLAY**

There are no changes for 2015-16 and 2016-17.

**DEPARTMENT OF DEVELOPMENTAL SERVICES  
2016 MAY REVISION**

**FUNDING SUMMARY**

(Dollars in Thousands)

	2015-16	2016-17	Difference
<b>BUDGET SUMMARY</b>			
COMMUNITY SERVICES	\$5,226,588	\$6,101,073	\$874,485
DEVELOPMENTAL CENTERS	570,036	525,970	-44,066
HEADQUARTERS SUPPORT	46,018	50,361	4,343
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<b>TOTALS, ALL PROGRAMS</b>	<b>\$5,842,642</b>	<b>\$6,677,404</b>	<b>\$834,762</b>
<b>FUND SOURCES</b>			
General Fund	\$3,419,179	\$3,972,187	\$553,008
Reimbursements: Totals All	2,364,458	2,634,350	269,892
<i>Home and Community-Based Services (HCBS) Waiver</i>	1,438,761	1,658,573	219,812
<i>Medicaid (HCBS) Waiver Administration</i>	17,647	20,613	2,966
<i>Medicaid Administration</i>	12,625	13,334	709
<i>Targeted Case Management</i>	155,908	179,159	23,251
<i>Targeted Case Management Admin.</i>	5,100	6,286	1,186
<i>Medi-Cal</i>	217,200	211,795	-5,405
<i>Title XX Block Grant</i>	213,421	213,421	0
<i>ICF-DD/State Plan Amendment</i>	57,994	57,994	0
<i>Quality Assurance Fees (DHCS)</i>	10,263	10,263	0
<i>1915(i) State Plan Amendment</i>	190,201	215,278	25,077
<i>Money Follows the Person</i>	8,076	9,638	1,562
<i>Race to the Top</i>	143	0	-143
<i>Early Periodic Screening Diagnostic &amp; Treatment</i>	25,407	26,280	873
<i>Other</i>	11,712	11,716	4
Federal Trust Fund	54,200	54,163	-37
Lottery Education Fund	343	343	0
Program Development Fund (PDF)	3,090	2,862	-228
Mental Health Services Fund	1,222	1,178	-44
Developmental Disabilities Svs Acct	150	150	0
Behavioral Health Treatment	0	12,171	12,171
<b>AVERAGE CASELOAD</b>			
Developmental Centers	1,011	847	-164
Regional Centers	290,496	302,610	12,114
<b>AUTHORIZED POSITIONS</b>			
Developmental Centers	4,278.7	4,125.1	-153.6
Headquarters	397.5	421.5	24.0

**DEPARTMENT OF DEVELOPMENTAL SERVICES  
2016 MAY REVISION**

**Program Highlights  
(Dollars in Thousands)**

	2015-16	2016-17	Difference
<b>Community Services Program</b>			
Regional Centers	\$5,226,588	\$6,101,073	\$874,485
<b>Totals, Community Services</b>	<b>\$5,226,588</b>	<b>\$6,101,073</b>	<b>\$874,485</b>
General Fund	\$3,043,845	\$3,632,201	\$588,356
Program Development Fund (PDF)	2,733	2,537	-196
Developmental Disabilities Svs Acct	150	150	0
Federal Trust Fund	51,354	51,354	0
Reimbursements	2,127,766	2,401,920	274,154
Mental Health Services Fund	740	740	0
Behavioral Health Treatment	0	12,171	12,171
<b>Developmental Centers Program</b>			
Personal Services	\$431,018	\$433,594	\$2,576
Operating Expense & Equipment	139,018	92,376	-46,642
<b>Total, Developmental Centers</b>	<b>\$570,036</b>	<b>\$525,970</b>	<b>-\$44,066</b>
General Fund	\$345,477	\$306,836	-\$38,641
Federal Trust Fund	285	285	0
Lottery Education Fund	343	343	0
Reimbursements	223,931	218,506	-5,425
<b>Headquarters Support</b>			
Personal Services	37,998	43,600	5,602
Operating Expense & Equipment	8,020	6,761	-1,259
<b>Total, Headquarters Support</b>	<b>\$46,018</b>	<b>\$50,361</b>	<b>\$4,343</b>
General Fund	\$29,857	\$33,150	\$3,293
Federal Trust Fund	2,561	2,524	-37
PDF	357	325	-32
Reimbursements	12,761	13,924	1,163
Mental Health Services Fund	482	438	-44
<b>Totals, All Programs</b>	<b>\$5,842,642</b>	<b>\$6,677,404</b>	<b>\$834,762</b>
<b>Total Funding</b>			
General Fund	\$3,419,179	\$3,972,187	\$553,008
Federal Trust Fund	54,200	54,163	-37
Lottery Education Fund	343	343	0
PDF	3,090	2,862	-228
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,364,458	2,634,350	269,892
Mental Health Services Fund	1,222	1,178	-44
Behavioral Health Treatment BHT	0	12,171	12,171
<b>Totals, All Funds</b>	<b>\$5,842,642</b>	<b>\$6,677,404</b>	<b>\$834,762</b>