

Department of Developmental Services

Governor's Budget Highlights



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DEPARTMENT OF DEVELOPMENTAL SERVICES GOVERNOR'S BUDGET 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 303,447 in the current year to 317,283 in 2017-18. The number of individuals living in state-operated residential facilities is estimated to be 490 on July 1, 2018.

Governor's Budget Summary

The Governor's Budget includes \$6.9 billion total funds (TF) (\$4.2 billion GF) for the Department in 2017-18; a net increase of \$280 million above the updated 2016-17 budget, or a 4.2 percent TF increase.

FUNDING SUMMARY <i>(Dollars in Thousands)</i>				
	2016-17	2017-18	Difference	Percent of Change
BUDGET SUMMARY				
Community Services	\$6,064,913	\$6,423,741	\$358,828	5.9%
Developmental Centers*	529,869	449,796	-80,073	-15.1%
Headquarters Support	51,188	52,302	1,114	2.2%
TOTALS, ALL PROGRAMS	\$6,645,970	\$6,925,839	\$279,869	4.2%
GENERAL FUND				
Community Services	\$3,558,448	\$3,838,894	\$280,446	7.9%
Developmental Centers	368,523	329,985	-38,538	-10.5%
Headquarters Support	33,834	34,720	886	2.6%
TOTALS, ALL PROGRAMS	\$3,960,805	\$4,203,599	\$242,794	6.1%

* The amount listed under Governor's Budget column do not reflect the statewide items for Employee Retention Incentives (\$20.1 million) or Deferred Maintenance (\$18.0 million). For more details, see Budget Summary and Funding Charts on pages 8-9.

COMMUNITY SERVICES PROGRAM

2016-17

To provide services and support to 303,447 individuals in the community, the Governor's Budget updates the 2016 enacted budget to \$6.064 billion TF (\$3.56 billion GF). This reflects a net decrease of \$37.2 million TF (\$74.7 million GF decrease) as compared to the enacted budget for regional center Operations (OPS) and Purchase of Services (POS). This decrease is comprised of:

Caseload and Utilization

\$36 million net decrease (\$72.7 million GF decrease) in regional center OPS and POS as follows:

- OPS increase of \$2.0 million (\$9.6 million GF decrease)
- POS decrease of \$38 million (\$63.1 million GF decrease)

The increase in the OPS budget is due to increased regional center caseload, slightly offset by a decrease in Intermediate Care Facility-Developmental Disabled (ICF-DD) Administration Fees and minor adjustments in projects for the Affordable Housing contract and Denti-Cal. The decrease in POS is the net difference of adjustments for all POS budget categories based on updated expenditure trends and increased federal reimbursements.

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

\$13.1 million increase (\$6.4 million GF increase) in POS to reflect updated expenditures for the transition of BHT services to DHCS which began on February 1, 2016.

Assembly Bill 1, 2nd Extraordinary Session, Chapter 3, Statutes of 2016 (ABX2 1)

\$14.3 million decrease (\$8.4 million GF decrease) in estimated expenditures of non-budget act funds consistent with anticipated POS caseload and utilization expenditure decreases.

2017-18

The Governor's Budget projects the total community caseload at 317,283 consumers, reflecting an increase of 13,836 consumers over the updated 2016-17 caseload. Total funding of \$6.4 billion (\$3.8 billion GF) is proposed for services and supports for regional center consumers living in the community. This reflects a net increase of \$359 million (\$280 million GF) from updated 2016-17 figures. The Community Services budget changes include:

Caseload and Utilization

\$317.4 million increase (\$283.2 million GF increase) in regional center OPS and POS as follows:

- OPS increase of \$26.7 million (\$25.2 million GF increase)
- POS increase of \$290.7 million (\$258 million GF increase)

The OPS increase is the net of staffing resulting from increased caseload, adjustments for OPS Projects, and a \$2.9 million increase (\$1.9 million GF) to fund the two-year statewide minimum wage increase from \$10 to \$11 per hour for positions below \$11. The POS increase reflects increase in all POS budget categories based on updated caseload and expenditure projections.

Operations – Policy Adjustments

\$3.5 million decrease (\$3.8 million GF decrease) in Operations – Policy expenditures as follows:

- \$0.2 million decrease (\$0.1 million GF decrease) in rent funds for Compliance with HCBS Regulations. Beginning in 2017-18, the Department will budget regional center rent based on their reported, anticipated expenditures rather than on a formula. Total rent is now included in Operations – Staffing, and rent amounts are removed from policy areas within the regional center Estimate.
- Net zero technical adjustment (\$0.5 million GF decrease) to correct funding for Regional Center Operations Increases per ABX2 1.
- \$3.3 million decrease (\$3.2 million GF decrease) from Resources to Implement ABX2 1. The decrease reflects the removal of \$3.0 million GF in one-time funding appropriated to complete the community based services rate study. There is also a slight decrease due to the shift of rent expenditures to the rent methodology item.

Assembly Bill (AB) 10, Chapter 351, Statutes of 2013, Minimum Wage Increase

\$7.5 million increase (\$4.4 million GF increase) in POS to reflect increased expenditures based on caseload and utilization growth.

Community Placement Plan (CPP) - DC Closure

\$53.1 million decrease (\$55.3 million GF decrease) in DC Closure-specific CPP funding. This reduction represents the portion of CPP funds no longer required for start-up costs to develop resources for residents transitioning out of Sonoma, Fairview, and Porterville GTA. The Department has allocated the majority of closure-specific CPP startup funds to projects currently underway, and in 2017-18 will require a reduced amount for placement activities only.

Assembly Bill 1, 2nd Extraordinary Session, Chapter 3, Statutes of 2016 (ABX2 1)

\$14.3 million increase (\$8.4 million GF increase) to reflect the full amount of funds appropriated through special session.

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

\$77.2 million increase (\$43.6 million GF increase) in POS to reflect full-year costs of the state-mandated hourly minimum wage increase from \$10.00 to \$10.50 effective January 1, 2017, as well as the increase from \$10.50 to \$11.00 effective January 1, 2018.

Best Buddies

\$1 million total and GF decrease due to the removal of 2016-17 one-time funding.

PROPOSED TRAILER BILL

The Governor's Budget includes proposed statutory amendments in the following areas related to the Community Services Program:

- Exemption from Federal Funding Requirements for Enhanced Behavioral Supports Homes and Community Crisis Homes with Secured Perimeters - Allows for the development of enhanced behavioral supports homes and community crisis homes with secured perimeters to meet the needs of individuals with developmental disabilities who have complex service needs.
- Allow Regional Center Consumers Aged 18-22 to Participate in Paid Internships - Allows consumers aged 18-22, who are still receiving educational services, to participate in paid internships for the purpose of gaining experience in competitive, integrated job placement.
- Update Service Rates Set in Statue – Updates service rates for supported employment and vouchered community-based training services that increased under the provisions of ABX2 1.
- HCBS Waiver Authority - Allows the Department to issue policy directives in advance of emergency regulations to align State requirements with new HSBC regulations by March 2019.
- Reporting of Employment Outcomes by Regional Centers - Requires regional centers to include consumer employment outcomes in their annual performance contracts to assist the State in measuring progress towards increasing competitive integrated employment opportunities for individuals with developmental disabilities.
- Broaden the Use of Community Placement Plan (CPP) Funds to Include Additional Community Resources – Allows a designated portion of CPP funds to be utilized to develop services and supports for consumers already living in the community, including those with specialized and complex service needs.

DEVELOPMENTAL CENTERS PROGRAM

2016-17

The actual DC population on July 1, 2016, was 963 residents. The Department projects an ending population of 760 residents on June 30, 2017.

The Governor's Budget updates the 2016 Enacted Budget to \$529.8 million (\$368.5 million GF); a net increase of \$3.9 million (\$29.3 million GF increase). The net increase is a combination of control section and funding adjustments as follows:

Control Section 3.60 Retirement Adjustment

- \$3.6 million increase (\$2.2 million GF increase) consistent with Control Section (CS) 3.60 of the Budget Act, which specifies the employers' retirement contributions for the 2016-17 fiscal year.

Employee Compensation

- \$1.1 million increase (\$0.6 million GF increase) due to 2016-17 employee compensation adjustments, which reflect incremental changes approved through the collective bargaining process and included in Item 9800, Employee Compensation Adjustments.

Lease Revenue Debt Service

- \$0.7 million total and GF decrease due to CS 4.05 for an adjustment to Lease Revenue Debt Service.

Non-Budget Act Lottery Adjustment

- \$0.1 million decrease (\$0.0 GF) in funds available to the Department.

Fund Shift

- The Department proposes a \$27.1 million shift from reimbursements to General Fund for a reduction in estimated Medi-Cal reimbursements receivable. The reduction in reimbursements is based on an analysis of expenditures by DC and by unit acuity level, the total number of days residents receive eligible services in the fiscal year, and past reimbursement amounts. The Department proposes this request be funded by a transfer from the Local Assistance budget in Item 4300-101-0001, which is currently projecting a savings in 2016-17.

2017-18

The Governor's Budget proposes a total of \$450 million (\$330 million GF) for the DC Program; a net decrease of \$76.2 million (\$9.3 million GF decrease) from the 2016-17 Enacted Budget. The net decrease is comprised of the following adjustments:

Control Section 3.60 Retirement Adjustment

- \$3.6 million increase (\$2.2 million GF increase) consistent with CS 3.60 of the Budget Act, which specifies the employers' retirement contributions for the 2016-17 fiscal year.

Employee Compensation

- \$1.3 million increase (\$0.8 million GF increase) due to 2016-17 employee compensation adjustments, which reflect incremental changes approved through the collective bargaining process and included in Item 9800, Employee Compensation Adjustments.

Lease Revenue Debt Service

- \$1.0 million total and GF decrease due to CS 4.05 for an adjustment to the Lease Revenue Debt Service.

Non-Budget Act Lottery Adjustment

- \$0.1 million decrease (\$0.0 GF) in funds available to the Department.

DC Operations Expenditure Decrease

- A net decrease of \$80.8 million (\$11.9 million GF decrease) and -489.2 positions resulting from an estimated resident population decrease of 257 residents, as well as the removal of one-time funding to complete an assessment of the

Sonoma property and buildings. With a reduced population, the Department will consolidate units, and decrease staff and Operating Expenses and Equipment (OE&E) costs. The GF decrease as compared to the overall fund decrease reflects the reduction of Medi-Cal reimbursements consistent with the updated 2016-17 budget, as based on an analysis of expenditures by DC and by unit acuity level, the total number of days residents receive eligible services in the fiscal year, and past reimbursement amounts.

Sonoma Closure Activities

- \$0.3 million increase (\$0.2 million GF increase) to fund the disposal and/or relocation of physical property and equipment assets in preparation for facility closure.

Fairview and Porterville GTA Closure Activities

- \$0.5 million increase (\$0.4 million GF increase) to inventory, scan, and archive clinical records at both Fairview and Porterville GTA.

PROPOSED TRAILER BILL

The Governor's Budget includes a proposed statutory amendment to the Public Contract Code to clarify the point at which a DDS employee must terminate State employment when they enter into an agreement to develop a service and become a regional center vendor.

HEADQUARTERS

2016-17

The Governor's Budget reflects an increase to the 2016-17 Headquarters' operations funding of \$0.5 million (\$0.4 million GF increase) for Retirement Rate Contribution and Employee Compensation. The total updated 2016-17 Headquarters budget is \$51.2 million (\$33.8 million GF).

2017-18

The Governor's Budget proposes total Headquarters operations funding for 2017-18 of \$52.3 million (\$34.7 million GF increase). This is a net increase of \$1.6 million (\$1.3 million GF) over the 2016-17 Enacted Budget, reflecting an incremental increase in Employee Compensation and Retirement Contributions, plus an increase in expenditures and positions from the following two Budget Change Proposals (BCPs):

Increased Housing Development Within the Community Placement Plan

The Department requests \$597,000 (\$554,000 GF) and 4.0 positions for workload associated with the development and oversight of housing funded through the Community Placement Program (CPP) to meet the residential placement needs of individuals transitioning out of the State's remaining developmental centers, Institutions for Mental Disease (IMDs), out-of-state placements, or who are at risk of moving to more restrictive settings. The proposal specifically requests positions in the Community Development and

Housing Section (CDHS) to provide increased oversight during housing development, encourage more efficient funding practices, promote greater fiscal accountability, and provide stronger asset management supervision for projects funded through CPP.

Information Security & Privacy Support

The Department requests \$398,000 (\$317,000 GF) and 3.0 positions to manage and assist with significant increases in workload associated with planning, outreach, training, risk assessment, prevention strategy, policy development, monitoring, and reporting activities related to information security and privacy. With the additional resources, the Department will assist and support DC and regional center security efforts, and conduct activities in compliance with the State Administrative Manual (SAM), the State Information Management Manual (SIMM), and federal requirements.

CAPITAL OUTLAY

There are no changes for 2016-17.

2017-18

The Governor's Budget includes one Capital Outlay Budget Change Proposal (COBCP) requesting \$3.7 million GF to install a nitrate removal system at Porterville. The system will remove excess nitrates from well water to meet state-mandated safe drinking water requirements, thereby providing a safe, reliable, and efficient potable water delivery system.

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2016 NOVEMBER ESTIMATE**

FUNDING SUMMARY

(Dollars in Thousands)

	2016-17	2017-18	Difference
BUDGET SUMMARY			
COMMUNITY SERVICES	\$6,064,913	\$6,423,741	\$358,828
DEVELOPMENTAL CENTERS*	529,869 *	449,796	-80,073
HEADQUARTERS SUPPORT	51,188	52,302	1,114
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TOTALS, ALL PROGRAMS	\$6,645,970	\$6,925,839	\$279,869
FUND SOURCES			
General Fund	\$3,960,805	\$4,203,599	\$242,794
Reimbursements: Totals All	2,608,737	2,645,617	36,880
<i>Home and Community-Based Services (HCBS) Waiver</i>	1,687,373	1,759,162	71,789
<i>Medicaid (HCBS) Waiver Administration</i>	13,988	14,104	116
<i>Medicaid Administration</i>	16,002	16,028	26
<i>Targeted Case Management</i>	186,888	192,737	5,849
<i>Targeted Case Management Admin.</i>	5,726	5,730	4
<i>Medi-Cal</i>	157,625	116,404	-41,221
<i>Title XX Block Grant</i>	213,421	213,421	0
<i>ICF-DD/State Plan Amendment</i>	57,567	57,567	0
<i>Quality Assurance Fees (DHCS)</i>	10,187	10,187	0
<i>1915(i) State Plan Amendment</i>	213,498	219,479	5,981
<i>Money Follows the Person</i>	9,638	4,330	-5,308
<i>Early Periodic Screening Diagnostic & Treatment</i>	28,206	27,846	-360
<i>Other</i>	8,618	8,622	4
Federal Trust Fund	56,543	56,643	100
Lottery Education Fund	294	294	0
Program Development Fund (PDF)	2,870	2,913	43
Mental Health Services Fund	1,183	1,235	52
Developmental Disabilities Svs Acct	150	150	0
Behavioral Health Treatment	15,388	15,388	0
AVERAGE CASELOAD			
Developmental Centers	963	760	-203
Regional Centers	303,447	317,283	13,836
AUTHORIZED POSITIONS			
Developmental Centers	4,125.2	3,636.0	-489.2
Headquarters	421.5	428.5	7.0

* The amount listed under Governor's Budget column do not reflect the statewide items for Employee Retention Incentives (\$20.1 million) or Deferred Maintenance (\$18.0 million).

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2016 NOVEMBER ESTIMATE**

**Program Highlights
(Dollars in Thousands)**

	2016-17	2017-18	Difference
Community Services Program			
Regional Centers	\$6,064,913	\$6,423,741	\$358,828
Totals, Community Services	\$6,064,913	\$6,423,741	\$358,828
General Fund	\$3,558,448	\$3,838,894	\$280,446
Program Development Fund (PDF)	2,537	2,537	0
Developmental Disabilities Svs Acct	150	150	0
Federal Trust Fund	53,707	54,087	380
Reimbursements	2,433,943	2,511,945	78,002
Mental Health Services Fund	740	740	0
Behavioral Health Treatment	15,388	15,388	0
Developmental Centers Program*			
Personal Services	\$462,793	\$373,922	-\$88,871
Operating Expense & Equipment	67,076	75,874	8,798
Total, Developmental Centers	\$529,869 *	\$449,796	-\$80,073
General Fund	\$368,523	\$329,985	-\$38,538
Federal Trust Fund	285	0	-285
Lottery Education Fund	294	294	0
Reimbursements	160,767	119,517	-41,250
Headquarters Support			
Personal Services	43,820	44,709	889
Operating Expense & Equipment	7,368	7,593	225
Total, Headquarters Support	\$51,188	\$52,302	\$1,114
General Fund	\$33,834	\$34,720	\$886
Federal Trust Fund	2,551	2,556	5
PDF	333	376	43
Reimbursements	14,027	14,155	128
Mental Health Services Fund	443	495	52
Totals, All Programs	\$6,645,970	\$6,925,839	\$279,869
Total Funding			
General Fund	\$3,960,805	\$4,203,599	\$242,794
Federal Trust Fund	56,543	56,643	100
Lottery Education Fund	294	294	0
PDF	2,870	2,913	43
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,608,737	2,645,617	36,880
Mental Health Services Fund	1,183	1,235	52
Behavioral Health Treatment BHT	15,388	15,388	0
Totals, All Funds	\$6,645,970	\$6,925,839	\$279,869

* The amount listed under Governor's Budget column do not reflect the statewide items for Employee Retention Incentives (\$20.1 million) or Deferred Maintenance (\$18.0 million).