

FOR LEGISLATIVE REVIEW

**DEVELOPMENTAL CENTERS
2016 MAY REVISION
of the
2016-17 BUDGET**



**STATE OF CALIFORNIA
DEPARTMENT OF DEVELOPMENTAL SERVICES
MAY 13, 2016**

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EXECUTIVE HIGHLIGHTS

OVERVIEW

The Department of Developmental Services (DDS) provides 24/7 residential services to its residents at three Developmental Centers (DCs) and one State-operated Community Facility. Pursuant to Senate Bill 82 (SB 82), Statutes of 2015, the Department submitted to the Legislature on October 1, 2015, a plan for the closure of the Sonoma DC (Sonoma). Subsequently, the Department submitted to the Legislature on April 1, 2016, a plan to close the Fairview DC (Fairview) and the Porterville DC – General Treatment Area (Porterville GTA). The May Revision includes adjustments to amounts proposed in the Governor’s Budget for Fiscal Year (FY) 2015-16 associated with the closure of Sonoma, as well as other adjustments for DC program areas in both FY 2015-16 and 2016-17. More specifically, the May Revision includes a net reduction of -\$4.1 million (-\$3.3 million General Fund (GF) for FY 2015-16, as well as a net decrease of -\$2.3 million (-\$2.9 million GF) for FY 2016-17. In addition, an updated report required pursuant to SB 82 identifies revised costs related to the downsizing or closure of the DCs.

The average-in-center population for both FY 2015-16 and 2016-17 remains unchanged from the Governor’s Budget. DDS continues to estimate the average-in-center population for FY 2015-16 at 1,011, and FY 2016-17 at 847.

FISCAL YEAR 2015-16

DDS proposes a net decrease of -\$4.1 million (-\$3.3 million GF) in funding requested for various staffing and programmatic adjustments. Due to higher than anticipated employee vacancy rates, DDS projects salary savings available for one-time redirection of funding for the level-of-care and non-level-of-care staffing adjustments, the Sonoma preliminary advanced closure costs, and the Sonoma Acute Crisis Unit costs previously proposed in the Governor’s Budget.

FISCAL YEAR 2016-17

DDS proposes a net decrease of -\$2.3 million (-\$2.9 million GF) for 2016-17. This amount is net of the \$2.2 million GF requested through a Spring Finance Letter for DDS 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. Following are the May Revision changes proposed for FY 2016-17:

Independent Monitoring Contract for Fairview and Porterville GTA:

- \$1.9 million (\$1.2 million GF) increase 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 similar to the requirement at Sonoma.

Revised Office of Protective Services' Records Management System:

- -\$0.4 million (-\$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 the Department of Health Care Services (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 FY 2015-16 and 2016-17. Funds transferred in FY 2015-16 through a Budget Revision from Local Assistance to State Operations are now sufficient to cover amounts payable in FY 2016-17.

POLICY CHANGES

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 fiscal piece of 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.

Extension of Managed Care Provision for DC Closures

- DDS, in consultation with DHCS, proposes Trailer Bill Language (TBL) for special managed care provisions to cover qualified individuals moving into the community from the Sonoma, Fairview and Porterville-GTA DCs. Available and accessible health care is a key component for the individual to successfully transition from the DC to the community. Family members and other stakeholders continue to articulate strong concerns regarding access to appropriate medical and dental care in the community. The TBL is necessary for the coordination and provision of specialized health and medical care for Medi-Cal eligible residents transitioning into the community.

Further, DDS continues to work on options to encourage community providers to employ DC employees.

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EXECUTIVE SUMMARY
CURRENT YEAR 2015-16 and BUDGET YEAR 2016-17

	CURRENT YEAR 2015-16			BUDGET YEAR 2016-17		
	Governor's Budget CY	2016 Proposed May Revision Authority for CY	2016 Proposed May Revision Request for CY 2015-16	Governor's Budget BY, Adjusted for Spring Finance Letter	2016 Proposed May Revision Authority for BY	2016 Proposed May Revision Request for BY 2016-17
TOTAL FUNDING	\$574,160,000	\$570,036,000	-\$4,124,000	\$528,277,000	\$525,970,000	-\$2,307,000
Positions	4,278.7	4,278.7	0.0	4,125.1	4,125.1	0.0
Average In-Center Population	1,011	1,011	0	847	847	0
General Fund (0001)	\$348,778,000	\$345,477,000	-\$3,301,000	\$309,721,000	\$306,836,000	-\$2,885,000
Item 002	10,174,000	10,174,000	0	10,175,000	10,175,000	0
Item 003	333,049,000	329,766,000	-3,283,000	294,275,000	291,390,000	-2,885,000
Item 004	5,304,000	5,286,000	-18,000	5,020,000	5,020,000	0
Item 017	251,000	251,000	0	251,000	251,000	0
Reimbursements (0995)	\$224,754,000	\$223,931,000	-\$823,000	\$217,928,000	\$218,506,000	\$578,000
Item 002	0	0	0	0	0	0
Item 003	223,549,000	222,743,000	-806,000	216,966,000	217,544,000	578,000
Item 004	1,042,000	1,025,000	-17,000	799,000	799,000	0
Item 017	163,000	163,000	0	163,000	163,000	0
Federal Funds (0890)	\$285,000	\$285,000	\$0	\$285,000	\$285,000	\$0
Item 003	285,000	285,000	0	285,000	285,000	0
Lottery Education Fund (0817)	\$343,000	\$343,000	\$0	\$343,000	\$343,000	\$0
Item 503	343,000	343,000	0	343,000	343,000	0
Total DC Program Budget	\$574,160,000	\$570,036,000	-\$4,124,000	\$528,277,000	\$525,970,000	-\$2,307,000
002	10,174,000	10,174,000	0	10,175,000	10,175,000	0
003	556,883,000	552,794,000	-4,089,000	511,526,000	509,219,000	-2,307,000
004	6,346,000	6,311,000	-35,000	5,819,000	5,819,000	0
017	414,000	414,000	0	414,000	414,000	0
503	343,000	343,000	0	343,000	343,000	0

**DEVELOPMENTAL CENTERS DETAILED FUNDING SUMMARY
CURRENT YEAR 2015-16**

	2016 Proposed Governor's Budget	Salary Savings for CY	Proposed Authority CY 2015-16	2016 Proposed May Revision Request for CY 2015-16
Program 20 Total	\$574,160,000	-\$4,124,000	\$570,036,000	-\$4,124,000
Positions	4,278.7	0.0	4,278.7	0.0
Average In-Center Population	1,011	0	1,011	0
Funding Sources				
General Fund Total	\$348,778,000	-\$3,301,000	\$345,477,000	-\$3,301,000
General Fund Match	213,364,000	-823,000	212,541,000	-823,000
General Fund Other	135,414,000	-2,478,000	132,936,000	-2,478,000
Reimbursement Total	\$224,754,000	-\$823,000	\$223,931,000	-\$823,000
Medi-Cal Reimbursements	213,364,000	-823,000	212,541,000	-823,000
Other Reimbursements	11,390,000	0	11,390,000	0
Federal Funds	\$285,000	0	\$285,000	\$0
Lottery Education Fund	\$343,000	0	\$343,000	\$0
Total Funding	\$574,160,000	-\$4,124,000	\$570,036,000	-\$4,124,000

CURRENT YEAR 2015-16

SUMMARY OF CHANGES

**2016 May
Revision
CY 2015-16**

I. BUDGET ITEMS:

A. Program Updates

1. Staffing Adjustments:	
a. <i>Level-of-Care Staffing Positions</i>	-\$549,000 0.0
b. <i>Non-Level-of-Care Staffing Positions</i>	-925,000 0.0
2. NMA Sonoma DC Preliminary Advanced Closure Costs	-1,659,000
3. RMA Acute Crisis Unit at Sonoma DC Full Year Adjustment Positions	-991,000 0.0

A. Total Request Positions	- \$4,124,000 0.0
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**2016 May
Revision
CY 2015-16**

II. FUNDING:

A. Fund Sources

1. General Fund Total	-\$3,301,000
a. <i>General Fund Match</i>	-823,000
b. <i>General Fund Other</i>	-2,478,000
2. Reimbursements Total	-\$823,000
a. <i>Medi-Cal Reimbursements</i>	-823,000

B. Total Funds	-\$4,124,000
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**DEVELOPMENTAL CENTERS DETAILED FUNDING SUMMARY
BUDGET YEAR 2016-17**

	2016 Proposed Governor's Budget	Spring Finance Letter: Sonoma DC Site Assessment	2016 Proposed Governor's Budget, Adjusted for Spring Finance Letter	Major Assumptions			Proposed Authority BY 2016-17	2016 Proposed May Revision Request for BY 2016-17
				Independent Monitor: Fairview DC, Porterville DC-GTA	Office of Protective Services Records Management System	DC Audit Findings - Revised		
Program 20 Total	\$526,037,000	\$2,240,000	\$528,277,000	\$1,900,000	-\$407,000	-\$3,800,000	\$525,970,000	-\$2,307,000
Positions	4,125.1	0.0	4,125.1	0.0	0.0	0.0	4,125.1	0.0
Average In-Center Population	847	0	847	0	0	0	847	0
Funding Sources								
General Fund Total	\$307,481,000	\$2,240,000	\$309,721,000	\$1,164,000	-\$249,000	-\$3,800,000	\$306,836,000	-\$2,885,000
General Fund Match	206,538,000	0	206,538,000	736,000	-158,000	0	207,116,000	578,000
General Fund Other	100,943,000	2,240,000	103,183,000	428,000	-91,000	-3,800,000	99,720,000	-3,463,000
Reimbursement Total	\$217,928,000	\$0	\$217,928,000	\$736,000	-\$158,000	\$0	\$218,506,000	\$578,000
Medi-Cal Reimbursements	206,538,000	0	206,538,000	736,000	-158,000	0	207,116,000	578,000
Other Reimbursements	11,390,000	0	11,390,000	0	0	0	11,390,000	0
Federal Funds	\$285,000	\$0	\$285,000	\$0	\$0	\$0	\$285,000	\$0
Lottery Education Fund	\$343,000	\$0	\$343,000	\$0	\$0	\$0	\$343,000	\$0
Total Funding	\$526,037,000	\$2,240,000	\$528,277,000	\$1,900,000	-\$407,000	-\$3,800,000	\$525,970,000	-\$2,307,000

BUDGET YEAR 2016-17
SUMMARY OF CHANGES

2016 May Revision BY 2016-17

I. BUDGET ITEMS:

A. Major Assumptions

1. NMA Independent Monitor	1,900,000
2. NMA Protective Services Info Systems Recd Mngmnt Sys	-407,000
3. RMA DC Audit Findings - Revised	-3,800,000

**A. Total Request
Positions**

-\$2,307,000 0.0

2016 May Revision BY 2016-17

II. FUNDING:

A. Fund Sources

1. General Fund Total	-\$2,885,000
<i>a. General Fund Match</i>	578,000
<i>b. General Fund Other</i>	-3,463,000
2. Reimbursements Total	\$578,000
<i>a. Medi-Cal Reimbursements</i>	578,000

B. Total Funds

-\$2,307,000

EXECUTIVE SUMMARY

CURRENT YEAR 2015-16 TO BUDGET YEAR 2016-17 COMPARISON

	Governor's Budget CY 2015-16	2016 Proposed May Revision CY 2015-16	2015-16 Request	2016 Proposed May Revision BY 2016-17	Incremental Change from CY to BY in the 2016 May Revision
Program 20 Total	\$574,160,000	\$570,036,000	-\$4,124,000	\$525,970,000	-\$44,066,000
Positions	4,278.7	4,278.7	0.0	4,125.1	-153.6
Average In-Center Population	1,011	1,011	0	847	-164
Funding Sources					
General Fund Total	\$348,778,000	\$345,477,000	-\$3,301,000	\$306,836,000	-\$38,641,000
General Fund Match	213,364,000	212,541,000	-823,000	207,116,000	-5,425,000
General Fund Other	135,414,000	132,936,000	-2,478,000	99,720,000	-33,216,000
Reimbursement Total	\$224,754,000	\$223,931,000	-\$823,000	\$218,506,000	-\$5,425,000
Medi-Cal Reimbursements	213,364,000	212,541,000	-823,000	207,116,000	-5,425,000
Other Reimbursements	11,390,000	11,390,000	0	11,390,000	0
Federal Funds	\$285,000	\$285,000	\$0	\$285,000	\$0
Lottery Education Fund	\$343,000	\$343,000	\$0	\$343,000	\$0
Total Funding	\$574,160,000	\$570,036,000	-\$4,124,000	\$525,970,000	-\$44,066,000

Position Summary

CURRENT YEAR 2015-16					
	TOTALS	LEVEL-OF-CARE			NON LOC
		PROF	NURSING	TOTAL	
2015-16 Authorized Positions	4,249.0	209.9	1,464.3	1,674.2	2,574.8
November Estimate					
Staffing Adjustment	24.4	3.1	4.7	7.8	16.6
RMA Acute Crisis Unit Full Year Adjustment	14.4	0.6	8.1	8.7	5.6
RMA Key Staff Functions to be Centralized at HQ	-9.0	0.0	0.0	0.0	-9.0
November Estimate Totals	29.8	3.8	12.8	16.6	13.2
May Revision					
Staffing Adjustment	0.0	0.0	0.0	0.0	0.0
May Revision Totals	0.0	0.0	0.0	0.0	0.0
Total Positions	4,278.7	213.6	1,477.1	1,690.7	2,588.0
Total Adjustments	29.8	3.8	12.8	16.6	13.2

BUDGET YEAR 2016-17					
	TOTALS	LEVEL-OF-CARE			NON LOC
		PROF	NURSING	TOTAL	
2016-17 Authorized Positions	4,249.0	209.9	1,464.3	1,674.2	2,574.8
November Estimate					
Staffing Adjustment (Excluding LDC)	-129.2	-11.1	-52.0	-63.1	-66.1
RMA Acute Crisis Unit Full Year Adjustment	14.4	0.6	8.1	8.7	5.6
RMA Closure and CSS Functions to HQ	-9.0	0.0	0.0	0.0	-9.0
November Estimate Totals	-123.9	-10.5	-43.9	-54.4	-69.5
May Revision					
Staffing Adjustment	0.0	0.0	0.0	0.0	0.0
May Revision Totals	0.0	0.0	0.0	0.0	0.0
Total Positions	4,125.1	199.4	1,420.4	1,619.8	2,505.3
Total Adjustments	-123.9	-10.5	-43.9	-54.4	-69.5

Population

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SYSTEMWIDE POPULATION

Current Year 2015-16						
	November Estimate		May Revision		Population Change	
	2015-16 Enacted Budget	Governor's Budget for CY 2015-16	May Revision CY 2015-16	Change from Governor's Budget to May Revision	Population Change CY 2015-16	Percentage Annual Change
Beginning Population, July 1, 2015	1,088	1,076	1,076	0	-12	-1%
Admissions*	104	110	110	0	6	6%
Placements	-168	-202	-202	0	-34	20%
Deaths	-28	-29	-29	0	-1	4%
Ending Population, June 30, 2016	996	955	955	0	-41	-4%
<i>DC Average Population Detail:</i>						
Canyon Springs	57	56	56	0	-1	-2%
Fairview	252	243	243	0	-9	-4%
Porterville	372	378	378	0	6	2%
Sonoma	369	349	349	0	-20	-5%
Total Average Population	1,050	1,026	1,026	0	-24	-2%
Average Population	1,050	1,026	1,026	0	-24	-2%
On Leave	-15	-15	-15	0	0	0%
Total Average In-Center Population	1,035	1,011	1,011	0	-24	-2%
<i>DC Average In-Center Population Detail:</i>						
Canyon Springs	57	56	56	0	-1	-2%
Fairview	247	238	238	0	-9	-4%
Porterville	367	373	373	0	6	2%
Sonoma	364	344	344	0	-20	-6%
Total Average In-Center Population	1,035	1,011	1,011	0	-24	-2%

*Admissions include transfers to Canyon Springs, and the 41 Bed DDX Expansion at Porterville DC

Assumptions/Methodology:

May Revision Assumes no changes in population from the Governor's Budget.

Historical data indicates that more placements occur in the second half of the fiscal year due to resource development (new providers/beds) in the community. The average in-center population estimate is weighted to account for this factor.

SYSTEMWIDE POPULATION

Budget Year 2016-17						
	November Estimate		May Revision		Population Change	
	2015-16 Enacted Budget	Governor's Budget for BY 2016-17	May Revision BY 2016-17	Change from Governor's Budget to May Revision	Population Change BY 2016-17	Percentage Annual Change
Beginning Population, July 1, 2016	1,088	955	955	0	-133	-12%
Admissions**	104	58	58	0	-46	-44%
Placements	-168	-240	-240	0	-72	43%
Deaths	-28	-26	-26	0	2	-7%
Ending Population, June 30, 2017	996	747	747	0	-249	-25%
<i>DC Average Population Detail:</i>						
Canyon Springs	57	63	63	0	6	11%
Fairview	252	183	183	0	-69	-27%
Porterville	372	383	383	0	11	3%
Sonoma	369	233	233	0	-136	-37%
Total Average Population	1,050	862	862	0	-188	-18%
Average Population	1,050	862	862	0	-188	-18%
On Leave	-15	-15	-15	0	0	0%
Total Average In-Center Population	1,035	847	847	0	-188	-18%
<i>DC Average In-Center Population Detail:</i>						
Canyon Springs	57	63	63	0	6	11%
Fairview	247	178	178	0	-69	-28%
Porterville	367	378	378	0	11	3%
Sonoma	364	228	228	0	-136	-37%
Total Average In-Center Population	1,035	847	847	0	-188	-18%

**Admissions include transfers to Canyon Springs, and the 41 Bed DDX Expansion at Porterville DC

Assumptions/Methodology:

May Revision Assumes no changes in population from the Governor's Budget.

Historical data indicates that more placements occur in the second half of the fiscal year due to resource development (new providers/beds) in the community. The average in-center population estimate is weighted to account for this factor.

SYSTEMWIDE POPULATION

Current Year 2015-16 to Budget Year 2016-17				
	May Revision CY 2015-16	May Revision BY 2016-17	Change from CY to BY	Percentage Change
Beginning Population, July 1	1,076	955	-121	-11%
Admissions	110	58	-52	-47%
Placements	-202	-240	-38	19%
Deaths	-29	-26	3	-10%
Ending Population, June 30th	955	747	-208	-22%
Average Population	1,026	862	-164	-16%
On Leave	-15	-15	0	0%
Total Average In-Center Population	1,011	847	-164	-16%
<i>DC Average In-Center Population Detail:</i>				
Canyon Springs	56	63	7	13%
Fairview	238	178	-60	-25%
Porterville	373	378	5	1%
Sonoma	344	228	-116	-34%
Total Average In-Center Population	1,011	847	-164	-16%

**CLIENT DEVELOPMENT EVALUATION REPORT (CDER) MIX PERCENTAGE
(SYSTEMWIDE)**

Preferred Programs:	CMC 1	PD 2	AUT 3	SENS 4	DDX 5	BEH 6	HAB 7	SOC 8	P&S 9
2016 May Revision (CY 2015-16)	47.2%	8.4%	9.1%	3.4%	6.7%	19.0%	3.1%	1.3%	1.8%
2016 May Revision (BY 2016-17)	42.5%	7.1%	8.5%	2.8%	10.7%	21.4%	4.0%	1.4%	1.5%

Program Type:

CMC: Continuing Medical Care
 PD: Physical Development
 AUT: Autism
 SENS: Sensory Development
 DDX: Dual Diagnosed

BEH: Behavior Development
 HAB: Habilitation
 SOC: Social Development
 P&S: Physical and Social Development

Statements of Change

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Program Update

Fiscal Year 2015-16

In the November Estimate, DDS requested a Current Year (CY) 2015-16 increase of \$4.1 million (\$3.3 million GF) to fund Staffing Adjustments, Sonoma DC Preliminary Advanced Closure Costs, and the full-year costs for the Sonoma Acute Crisis Unit. However, due to higher than anticipated employee vacancy rates, there are sufficient salary savings available to administer the CY needs on a one-time basis. Therefore DDS is revising the CY funding augmentation as follows:

- -\$1.5 million (-\$0.8 million GF) Staffing Adjustments
- -\$1.7 million (-\$1.1 million GF) SDC Advanced Closure Costs
- -\$0.9 million (-\$1.4 million GF) SDC Acute Crisis Unit

Fiscal Year 2016-17

There are no proposed population or staffing changes.

NEW MAJOR ASSUMPTION

Independent Monitoring Contract for Fairview Developmental Center (DC) and Porterville DC GTA

Pursuant to Senate Bill (SB) 82 (Chapter 23, Statutes of 2015), DDS submitted to the Legislature on April 1, 2016, a plan to close Fairview and Porterville GTA. DDS requests funds to contract with an independent monitor as required to maintain federal funding certification for Fairview and Porterville GTA. While negotiations with the Centers for Medicare and Medicaid Services remain ongoing for the continued certification of Fairview and Porterville GTA, DDS anticipates a requirement for independent monitoring similar to the requirement at Sonoma. DDS requests a Budget Year (BY) 2016-17 increase of \$1.9 (\$1.2 million GF).

New Major Assumption

**Independent Monitoring Contract for Fairview Developmental Center (DC) and
Porterville DC General Treatment Area**

	Current Year 2015-16	Budget Year 2016-17
Independent Monitoring Contract	\$0	\$1,900,000
Total Request	\$0	\$1,900,000
Funding		
General Fund	\$0	\$1,164,000
Medi-Cal Reimbursements	\$0	\$736,000

REVISED MAJOR ASSUMPTION

Office of Protective Services Information Systems Record Management System

The Governor's Budget proposed \$0.4 million (\$0.3 million GF) Fiscal Year (FY) 2016-17 to obtain a Record Management System. Given the critical need for the system, DDS reprioritized information technology projects and purchased the system using existing 2015-16 funds. Therefore, DDS no longer requests funding in FY 2016-17.

Revised Major Assumption

Office of Protective Services Information Systems Record Management System

	Current Year 2015-16	Budget Year 2016-17
Record Management System	\$0	-\$407,000
Total Request	\$0	-\$407,000
Funding		
General Fund	\$0	-\$249,000
Medi-Cal Reimbursements	\$0	-\$158,000

REVISED MAJOR ASSUMPTION

DC Audit Findings – Revised

As identified in the Governor’s Budget, and executed via the State Controller’s Office in March 2016, DDS transferred \$42.5 million GF of appropriation authority through a Budget Revision (one-time basis) from Local Assistance to State Operations. The transfer of authority was to re-pay the Department of Health Care Services (DHCS) in FY 2015-16 for FY 2008-09 through 2010-11 Medi-Cal audit findings, which were estimated at \$42.5 million GF. Similarly, the Governor’s Budget identified a \$3.8 million GF request in FY 2016-17 to re-pay findings from the FY 2011-12 audit.

Since the release of the 2016-17 Governor’s Budget, DDS received revised audit findings from DHCS for FYs 2008-09 and 2009-10, and final audit findings for FY 2011-12. The figures in the table below reflect the reduced amounts based on agreement between the departments on the treatment of costs and days of service used to calculate the findings. Given the reduction in findings and amounts due, DDS no longer requests a \$3.8 million GF augmentation for BY 2016-17. More specifically, there is sufficient authority to re-pay the 2011-12 findings in FY 2015-16 due to the reduction in amounts payable for the FY 2008-09 and 2009-10 audits.

Dollars in Thousands

Audited Fiscal Year	Governor's Budget Request FY 2015-16	Governor's Budget Request FY 2016-17	May Revision Request FY 2015-16	May Revision Request FY 2016-17
2008-09	\$6.8	\$0.0	\$6.3	\$0.0
2009-10	\$13.5	\$0.0	\$6.7	\$0.0
2010-11	\$22.2	\$0.0	\$22.2	\$0.0
2011-12	<u>\$0.0</u>	<u>\$3.8</u>	<u>\$5.4</u>	<u>-\$3.8</u>
Total	<u>\$42.5</u>	<u>\$3.8</u>	<u>\$40.6</u>	<u>-\$3.8</u>

DHCS has begun its FY 2012-13 audit. DDS will repay future amounts due from remaining FY 2015-16 funds available for audit repayments which is \$1.9 million (\$42.5 - \$40.6).

Revised Major Assumption

DC Audit Findings – Revised

	Current Year 2015-16	Budget Year 2016-17
Revised Budget Request	\$0	-\$3,800,000
Total Request	\$0	-\$3,800,000
Funding		
General Fund	\$0	-\$3,800,000
Medi-Cal Reimbursements	\$0	\$0

NEW MAJOR ASSUMPTION

DC EMPLOYEE RETENTION INCENTIVE

DDS proposes a retention incentive to encourage DC employees to remain employed throughout the DC closures to provide continuity of habilitation and treatment services and ensure the health and safety of DC residents. At this time, the DC Estimate does not include a fiscal component of the incentive, as it is being carried in the State's general compensation budget provisions, and subject to the State's collective bargaining processes

NEW MAJOR ASSUMPTION

EXEMPTION FROM PUBLIC CONTRACT CODE SECTION 10410 FOR DDS EMPLOYEES TO BECOME REGIONAL CENTER PROVIDERS

DDS proposes to add an exemption to the Public Contract Code (PCC) to allow current developmental center (DC) employees to contract with regional centers to become community based providers. Currently, employees must terminate their employment before they can begin the start-up vendorization process per PCC Section 10410:

10410. No officer or employee in the state civil service or other appointed state official shall engage in any employment, activity, or enterprise from which the officer or employee receives compensation or in which the officer or employee has a financial interest and which is sponsored or funded, or sponsored and funded, by any state agency or department through or by a state contract unless the employment, activity, or enterprise is required as a condition of the officer's or employee's regular state employment. No officer or employee in the state civil service shall contract on his or her own individual behalf as an independent contractor with any state agency to provide services or goods.

DDS and the regional centers involved with DC closures have a shared interest in retaining the services of DC employees in the developmental disabilities service system during and after the closure of the remaining DCs. Achieving this outcome will benefit the employees, the individuals served, and the parents, families and advocates/representatives who are concerned with continuity of services during and after transition that will protect consumers' health, safety, and quality of life.

The requirement for employees to terminate State employment before entering into a contract with a regional center causes them to lose their source of income, sometimes up to one year. As such, this is a barrier to employees becoming community providers. In an effort to both retain DC employees throughout the closure process and encourage community resource development, DDS proposes adding to allowed exemptions in PCC Section 10430.

NEW MAJOR ASSUMPTION

EXTENSION OF SPECIAL MANAGED CARE PROVISIONS FOR DEVELOPMENTAL CENTER CLOSURES

DDS, in consultation with DHCS, proposes Trailer Bill Language (TBL) for special managed care provisions to cover qualified individuals moving into the community from the Sonoma, Fairview and Porterville-GTA DCs. Available and accessible health care is a key component for the individual to successfully transition from the DC to the community. Family members and other stakeholders continue to articulate strong concerns regarding access to appropriate medical and dental care in the community. The TBL is necessary for the coordination and provision of specialized health and medical care for Medi-Cal eligible residents transitioning into the community.

FUTURE FISCAL ISSUES

Decertification of Fairview and Porterville ICF Units

The California Department of Public Health (CDPH) notified both Fairview and Porterville GTA in early August 2015 that the facilities did not meet specified Conditions of Participation for the Intermediate Care Facility units based on surveys completed in July 2015. The letters further stated that the provider agreements for the residential Intermediate Care Facilities-Developmentally Disabled (ICF/DD) units would be terminated November 1, 2015, with payment for inpatient Medi-Cal beneficiaries ending on December 1, 2015.

Subsequent to receiving these notifications, DDS submitted appeal letters to CDPH for both Fairview and Porterville GTA, and requested full evidentiary hearings. In turn, CDPH approved a number of consecutive extensions of the Medicare and Medi-Cal provider agreements with DDS. For both facilities, the current extension is approved through June 3, 2016.

DDS remains in negotiation with CMS to reach a settlement agreement to continue the federal financial participation (FFP) past June 3, 2016. Estimated monthly FFP required at Fairview and Porterville GTA to support ICF/DD units is \$2.7 million and \$2.8 million respectively.

USDOJ Civil Investigative Demand (CID)

DDS received notification from the USDOJ in March 2014 of a CID to determine whether a violation had occurred at Sonoma relative to the Medicare and Medicaid programs. DDS reviewed the CID and retained outside counsel to respond to the USDOJ CID. To date, DDS has produced over 400,000 pages of documents, including e-mails and electronic records to USDOJ. It is unclear whether USDOJ will take any action against the department after USDOJ reviews the documents.

Developmental Centers Expiration of CMS Settlement Agreement with Sonoma DC

CDPH terminated the ICF/DD Provider Agreement for Sonoma effective October 23, 2014, based on a re-certification survey completed on July 25, 2014.

On June 30, 2015, a Settlement Agreement was reached between CMS, the California Health and Human Services Agency (CHHS), DDS, DHCS, Sonoma, and CDPH. The Agreement was entered into to further the objectives of Title XIX of the Social Security Act and to facilitate the delivery of quality health care and rehabilitative services to clients residing in the Medicaid-certified units of Sonoma.

Under the Agreement, CDPH exercised its authority under 42 C.F.R. 431.154 to revise the effective date of the termination of Sonoma's ICF/DD Provider Agreement to July 1, 2016. CDPH may initiate a second reconsideration and further extend the termination date to July 1, 2017. The estimated monthly FFP required for the Sonoma ICF/DD units is \$2.2 million.

Fund Sources

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General Fund

DESCRIPTION:

The General Fund is used for two purposes: 1) as a match to Title XIX Reimbursement funds received for payment of resources/services for Medi-Cal eligible residents (these funds are referred to as "General Fund Match") and 2) to pay for non-Medi-Cal eligible resources/services for residents in the developmental centers and the state-operated community facility (DC/CF). These funds are referred to as "General Fund Other."

ASSUMPTIONS/METHODOLOGY:

CY 2015-16 BY 2016-17

General Fund:

The DCs'/CF's General Fund appropriation consists of two components: (1) General Fund Match and (2) General Fund Other. Details of these components are as follows:

• General Fund Match:			\$212,541,000	\$206,916,000
General Fund Match to FMAP	<u>CY 2015-16</u>	<u>BY 2016-17</u>		
Non-Proposition 98	50.00%	50.00%	207,004,000	201,645,000
Proposition 98	50.00%	50.00%	5,286,000	5,020,000
HIPAA	50.00%	50.00%	251,000	251,000

This portion of General Fund is required as a match to Medi-Cal Reimbursements received from the Department of Health Care Services (DHCS). These Reimbursements are originally funded by the federal government and passed through DHCS (the federally recognized single state agency for Medicaid). The federal financial participation costs are established by utilizing the federal medical assistance percentages (FMAP) provided by DHCS.

• General Fund Other			\$132,936,000	\$99,920,000
This funding is for services provided to the DC/CF residents who are not eligible for federal or other reimbursement funding. Funding also includes \$10,174,000 (CY) and \$10,175,000 (BY) for Lease-Revenue Bonds.			132,936,000	99,920,000

- Lottery Education Fund**
See Lottery Education Fund's page for detail.

TOTAL GENERAL FUND			\$345,477,000	\$306,836,000
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Reimbursements Title XIX Medi-Cal and Other

DESCRIPTION:

Title XIX Medi-Cal Reimbursements are funds received for services provided to eligible residents in the developmental centers and the state-operated community facility (DC/CF). These funds require a General Fund match at the FMAP rate. Other Reimbursements are funds received for services provided to the DCs/CF residents who have no General Fund match requirements.

ASSUMPTIONS/METHODOLOGY:

CY 2015-16

BY 2016-17

Reimbursements:

The DCs'/CF's appropriation for reimbursements consists of two components: (1) Title XIX Medi-Cal and (2) Other Reimbursements. The detail of these two components follows:

- **Title XIX/Medi-Cal**

\$212,541,000

\$207,116,000

Title XIX Medi-Cal Reimbursements fund eligible services provided to residents in the DCs/CF system via the Department of Health Care Services (DHCS) (the federally recognized single state agency for Medicaid). The federal financial participation costs are established by utilizing the federal medical assistance percentages (FMAP) as provided by DHCS.

FMAP	<u>CY 2015-16</u>	<u>BY 2016-17</u>		
Non-Proposition 98	50.00%	50.00%	211,353,000	206,154,000
Proposition 98	50.00%	50.00%	1,025,000	799,000
HIPAA	50.00%	50.00%	163,000	163,000

- **Reimbursements - Other**

\$11,390,000

\$11,390,000

This funding is for services provided to the DC/CF residents who are not eligible for federal reimbursement funding. These costs consist of miscellaneous reimbursements for such services as the Rental Income Contracts, and State Employees in the Community Program.

11,390,000

11,390,000

TOTAL REIMBURSEMENTS

\$223,931,000

\$218,506,000

Federal Funds

DESCRIPTION:

The Federal Foster Grandparent Program Grant provides funds to establish person-to-person relationships between low income seniors, 60 years of age and older, and consumers with developmental disabilities and/or mental health issues.

ASSUMPTIONS/METHODOLOGY:

CY 2015-16

BY 2016-17

• **Foster Grandparent Program Grant**

\$285,000

\$285,000

The Foster Grandparent Program grant is used for specified operational costs, such as stipends and educational supplies in the developmental centers.

TOTAL FEDERAL FUNDS

\$285,000

\$285,000

Lottery Education Fund

DESCRIPTION:

Lottery Education Fund uses state General Fund revenues guaranteed for the support of school districts, community colleges districts, and state agencies that provide direct elementary and secondary level instructional services.

ASSUMPTIONS/METHODOLOGY:

CY 2015-16

BY 2016-17

Lottery Education Fund:

\$343,000

\$343,000

- The Lottery Education Fund is used for specified educational costs, such as training programs to establish curriculum as well as to support special needs and equipment costs in the developmental centers and the state-operated community facility (DC/CF). Funds received are based on the DC/CF resident average daily attendance.

TOTAL LOTTERY EDUCATION FUND

\$343,000

\$343,000

SB 82 Reporting

Pursuant to Senate Bill 82 (SB 82), Chapter 23, Statutes of 2015, the Department submitted to the Legislature on October 1, 2015, a plan for the closure of Sonoma. Subsequently, the Department submitted to the Legislature on April 1, 2016, a plan to close Fairview and Porterville GTA. As stated in SB 82, it is the Legislature's intent that savings derived from DC downsizing and closure benefit persons with developmental disabilities living in the community. SB 82 reporting included in the January 2016 DC Estimate illustrated that the initial funds required to develop community resources and oversee closure activities will exceed funds saved. While the May Revision DC Estimate revises current year funding requests for certain closure-related expenditures that can be absorbed with salary savings, the Department will continue to incur costs for closure related activities.

Table 1 below identifies FY 2015-16 and 2016-17 funding impacts related to the Sonoma, Fairview, and Porterville GTA closures, as updated through May Revision. For both fiscal years, costs increased for Item 2, Developmental Center Closure Activities. In FY 2015-16, costs increased by \$190,000 General Fund for the first phase of an assessment of the property, buildings, and records at Sonoma. In FY 2016-17 costs increased by \$4.1 million (\$3.4 million GF), which includes \$2.2 million GF to complete the site assessment of the Sonoma property as proposed in a Spring Finance Letter budget change proposal, and \$1.9 million (\$1.2 million GF) proposed in the May Revision for an independent monitoring contract at Fairview and Porterville GTA. In total, closure related costs in FY 2015-16 are \$98.2 million (\$76.3 million GF), and \$141.8 million (\$111.6 million GF) in FY 2016-17.

Table 1
Developmental Center Closures – Funding Impacts
Dollars in Thousands

Program/Activity	FY 2015-16		FY 2016-17	
	TF	GF	TF	GF
1. Developmental Centers - Staffing Adjustments	\$1,500	\$800	-\$8,800	-\$4,900
2. Developmental Centers - Closure Activities	\$1,900	\$1,300	\$7,100	\$5,300
3. Community Services - Closure Placement	\$46,700	\$43,700	\$78,800	\$69,100
4. Community Services - Continuation Costs	\$48,100	\$30,500	\$62,600	\$40,300
5. HQ - Closure Coordination & Oversight	\$0	\$0	\$2,100	\$1,800
Total	\$98,200	\$76,300	\$141,800	\$111,600

The amounts in Table 1 are more fully explained below, and do not include other costs to the State that are not reflected in the Department's budget, such as Medical and In-Home Supportive Services for individuals living in the community. Table 1 also does not include: (1) accelerated expenditures to resolve outstanding

Workers' Compensation claims for developmental center employees, and (2) employee retention incentives proposed in the May Revision. The retention incentives will be included in later estimates following the allocation of funds to DDS' budget.

1. Developmental Centers – Staffing Adjustments

In the 2016 Governor's Proposed Budget, DDS requested funding to retain positions that would have been typically reduced based on an older, ratio-driven staffing formula. Whereas the old formula indicated a reduction in staffing needs due to decreased resident populations, a minimum level of both level of care and non-level of care positions must be retained during the closure process for the benefit of the clients. The positions are necessary to ensure the health and safety of clients still residing in the developmental centers, meet licensing requirements, perform additional client transition activities, and maintain essential infrastructure. As reflected in the 2016 May Revision, the Department is able to absorb the costs of the retained positions due to available salary savings. Nevertheless, the costs for the retained positions remain attributable to closure. There is no change to the amounts identified for FY 2016-17.

2. Developmental Centers – Closure Activities

In FY 2015-16, the Department proposed funds for inventorying and archiving clinical records, contracting for an independent monitor at Sonoma as stipulated in the settlement agreement with the Centers for Medicare and Medicaid Services (CMS), and moving developmental center clients and their belongings to new residences in the community. As reflected in the 2016 May Revision, the Department is able to absorb the costs of these activities in FY 2015-16 due to available salary savings. Nevertheless, the costs remain attributable to closure. In addition to these items, the Department expended \$190,000 GF to complete the first phase of the Sonoma site assessment.

In FY 2016-17, the Department will continue to incur costs for DC closure activities, as well as an additional \$2.2 million GF to fund a site assessment of the Sonoma property, facilities, and records, and \$1.9 million (\$1.2 million GF) to contract for an independent monitor at Fairview and Porterville-GTA.

3. Community Services – Closure Community Placement Plan

The closures of Sonoma, Fairview, and Porterville GTA require increased positions and resources to develop community living arrangements and place individuals from developmental centers into the community. Within the Regional Center Estimate, the FY 2015-16 Enacted Budget includes \$46.7 million (\$43.7 million GF) for the Sonoma closure. As proposed in the 2016 Governor's Proposed Budget, the Department requests a total of \$78.8 million (\$69.1 million General Fund) for the Sonoma, Fairview, and Porterville GTA closures as detailed in Table 2. These funds are in addition to the \$68 million (\$43 million GF) in ongoing funds identified

for regular community placement activities in FY 2015-16 and FY 2016-17. The 2016 May Revision proposes no changes to the Governor's Budget for Community Placement Plan in either FY 2015-16 or 2016-17.

Table 2
Community Placement FY 2016-17
Dollars in Thousands

	Sonoma	Fairview	Porterville GTA	Total
Operations	\$ 3,600	\$ 1,200	\$ 600	\$ 5,400
Purchase of Services	<u>20,900</u>	<u>28,500</u>	<u>24,000</u>	<u>73,400</u>
Total	\$24,500	\$29,700	\$24,600	\$78,800

4. Community Services – Continuation Costs

After an individual moves from a developmental center into the community, there are increased purchase of service costs that are not reflected in expenditure trends. To account for these costs in the second year after placement, the Department estimates expenditures for those individuals who actually moved to the community in the prior year. As detailed in the Regional Center Estimate for the 2015 May Revision, the FY 2015-16 Enacted Budget included \$42.1 million (\$33.5 million GF) for continuation costs. The 2016 Governor's Proposed Budget updates this figure to \$48.1 million (\$30.5 million GF) for FY 2015-16, and requests a total of \$62.6 million (\$40.3 million GF) for FY 2016-17. The 2016 May Revision proposes no changes to the Governor's Budget for Continuation Costs for either FY 2015-16 or 2016-17.

5. Headquarters – Closure Coordination and Oversight

The 2016 Governor's Proposed Budget included a request for \$2.1 million (\$1.8 million GF) in FY 2016-17 for new and redirected vacant headquarters positions for staffing and contract resources needed to support the continued efforts for multiple developmental center closures. This includes overseeing the development and licensing of community facilities and consumer programs, supporting layoff activities, resolving workers compensation cases, reconciling payroll and benefits, ensuring accuracy of financial records and reporting, supporting information technology activities, conducting equal employment opportunity investigations, and collaborating and communicating closure plans and progress with stakeholders. The 2016 May Revision proposes no changes this request.