

Department of Developmental Services

Governor's Budget Highlights



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**January 2015
(Revised January 14, 2015)**

**DEPARTMENT OF DEVELOPMENTAL SERVICES
GOVERNOR'S BUDGET HIGHLIGHTS**

PROGRAM HIGHLIGHTS

The Department of Developmental Services (Department or DDS) under the Lanterman Developmental Disabilities Services Act (Lanterman Act) is responsible for ensuring that approximately 280,000 individuals with intellectual and developmental disabilities receive the services and support they require to lead more independent and productive lives, and the ability to make choices and decisions about their lives.

Services and support are provided to individuals in two ways:

- The vast majority live with their family or in other community settings, and receive state-funded services coordinated by one of twenty-one non-profit corporations known as regional centers (RCs).
- A small number live in three state-operated developmental centers (DCs) and one state-operated community facility. A fourth DC, Lanterman, transitioned its last resident into community living on December 23, 2014, and the facility has moved into warm shutdown.

The number of consumers with developmental disabilities in the community served by RCs is expected to increase from 278,593 in the current year to 288,317 in 2015-16. The Department projects 951 individuals living in state-operated residential facilities by the end of 2015-16.

The January 2015 Governor's Budget includes \$5.7 Billion total funds (TF) (\$3.3 Billion General Fund (GF)) for the Department in 2015-16; a net increase of \$246 Million above the updated 2014-15 budget, a 4.5 percent TF increase (6.5 percent GF).

BUDGET SUMMARY <i>(Dollars in Thousands)</i>				
	Updated 2014-15	2015-16	Difference	Percent of Change
TOTAL FUNDS				
Community Services	\$4,848,508	\$5,141,657	\$293,149	6.0%
Developmental Centers	562,894	515,213	-47,681	-8.5%
Headquarters Support	42,484	42,579	95	0.2%
TOTALS, ALL PROGRAMS	\$5,453,886	\$5,699,449	\$245,563	4.5%
GENERAL FUND				
Community Services	\$2,761,388	\$2,991,911	\$230,523	8.3%
Developmental Centers	309,648	279,839	-29,809	-9.6%
Headquarters Support	27,043	27,070	27	0.1%
TOTALS, ALL PROGRAMS	\$3,098,079	\$3,298,820	\$200,741	6.5%

For more details see Budget Summary and Funding Charts on Pages 10-11.

COMMUNITY SERVICES PROGRAM

2014-15

To provide services and support to 278,593 individuals in the community, the Governor's Budget updates the enacted budget to \$4.8 Billion TF (\$2.8 Billion GF). The Governor's Budget includes an increase of \$158.8 Million TF (\$102.2 Million GF) above the 2014-15 enacted budget for regional center operations (OPS) and purchase of services (POS). This is composed of:

Caseload and Utilization:

\$110.8 Million increase (\$56.0 Million GF increase) in regional center OPS and POS costs to reflect changes in caseload and utilization due to updated population and expenditure data, including Home and Community Based Services (HCBS) waiver enrollment above budgeted levels.

- OPS increase of \$6.2 Million (-\$2.1 Million GF decrease)
- POS increase of \$104.6 Million (\$58.1 Million GF increase)

The major increase in POS expenditures is within the budget categories of community care facilities (CCFs) and support services. The increase in CCFs reflects increased utilization of Specialized Adult Residential Facilities and for support services increased utilization and costs of supported living services.

Restoration of Unrealized Savings from Senate Bill (SB) 946, Chapter 650, Statutes of 2011:

\$44.3 Million GF increase in POS to reflect restoration of funding as a result of unrealized savings from SB 946, which requires health care insurers to provide coverage for behavioral health treatment for pervasive developmental disorder or autism. The 2012 May Revision included estimated GF savings of \$80 Million for implementation of SB 946. Since implementation, the Department has realized savings of \$35.7 Million which is reflected in the trends used to develop the 2014 November Estimate. DDS will review updated expenditure data for the 2015-16 May Revision.

Update of Federal Labor Regulations:

\$3.7 Million increase (\$1.9 Million GF increase) in POS to reflect an update of costs related to implementation of Federal Labor Regulations regarding overtime based upon updated expenditure data. While the Governor's Budget includes funding for a 5.82% rate increase for some services, the rate increase has been stayed for 14 days until January 15, 2015. A hearing on the issue is scheduled for January 9, 2015, in federal district court.

2015-16

The Governor's Budget projects a total community caseload of 288,317 consumers by January 31, 2016, and assumes an increase of 9,724 consumers over the updated 2014-15 caseload. The estimate proposes 2015-16 funding for services and support to consumers in the community at \$5.1 Billion TF (\$3.0 Billion GF), an increase of \$452.0 Million (\$332.7 Million GF) over the enacted budget. The RC budget changes include:

Caseload and Utilization:

\$308.8 Million increase (\$236.5 Million GF increase) in OPS and POS to reflect changes in caseload and utilization due to updated population and expenditure data including HCBS Waiver enrollment above budgeted levels.

- OPS increase of \$30.3 Million (\$22.5 Million GF increase)
- POS increase of \$278.5 Million (\$214.0 Million GF increase)

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Update of Federal Labor Regulations:

\$24.4 Million increase (\$13.1 Million GF increase) in POS to reflect the full-year impact of the change in the Federal Labor Regulations regarding overtime. While the Governor's Budget includes funding to implement the Federal Labor Regulations regarding overtime effective January 1, 2015, implementation of these regulations has been stayed for 14 days until January 15, 2015. A hearing on the issue is scheduled for January 9, 2015, in federal district court.

Minimum Wage Increase:

\$64.2 Million increase (\$36.6 GF increase) due to Assembly Bill (AB) 10, Chapter 351, Statutes of 2013 that increases the State minimum wage from \$9.00 to \$10.00 effective January 1, 2016. The following adjustments are associated with this increase:

- \$1.9 Million increase (\$1.6 Million GF increase) in OPS to adjust the budgeted salary for Account Clerks and Secretary I positions, which currently are budgeted at salary levels that are below \$10.00 per hour.
- \$62.3 Million increase (\$35.0 Million GF increase) in POS applies to services such as community-based day programs, work activity programs, respite services, etc. which rely on employees who are paid minimum wage.

AB 1522 Healthy Workplace, Healthy Families Act of 2014:

\$25.3 Million increase (\$16.2 Million GF increase) in POS to reflect costs associated with the implementation of AB 1522. Effective July 1, 2015, AB 1522 requires that an employee who works in California for 30 days or more in a calendar year is entitled to paid sick days.

Implementation of Behavioral Health Treatment (BHT) Services by Department of Health Care Services (DHCS):

\$2.0 Million decrease (\$1.0 Million GF decrease) in POS to reflect a reduction in POS expenditures for an estimated 292 new consumers who would receive BHT services through the DHCS as a Medi-Cal benefit per SB 870.

Reduction of One-Time Funding:

\$13.0 GF Million decrease in POS to reflect a reduction of one-time funding from 2011-12 for a re-appropriation of Community Placement Plan funds to implement the recommendations of the Developmental Centers Task Force.

Developmental Services Task Force on Strengthening Community Services:

On July 24, 2014, the Secretary of the California Health and Human Services Agency convened the Developmental Services Task Force, which is focused on strengthening community services. At the subsequent Task Force meeting on October 8, 2014, the Task Force members prioritized the subject areas most in need of review for sustainability of the community services system. Four general workgroups are being convened on the following topics:

- Rates/Rate Structure
- Caseload Ratios/RC Operations
- Medical and Mental Health Services and Supports
- Housing and Employment

The Rates Workgroup convened on December 16, 2014, to begin examining the current rate structure and rate-setting methodologies and to decide how best to move forward on the remaining subject areas. They will reconvene in February 2015 to continue their efforts. Workgroups also will convene in January and March 2015 to review RC caseload ratios and operations.

DEVELOPMENTAL CENTERS PROGRAM

2014-15

To provide services and support to 1,116 residents in DCs (average in-center population), the Governor's Budget updates the enacted budget to \$562.9 Million TF (\$309.6 Million GF), a net increase of \$34.7 Million TF (\$33.6 Million GF) for Developmental Centers' State Operations funding. The increase is comprised of:

Various Employee Compensation and Staff Benefit Contribution Increases:

\$13.3 Million increase (\$8.0 Million GF increase) due to 2014-15 employee compensation augmentations approved through the collective bargaining process, as well as increases in retirement and other staff benefit employer contribution rates.

Program Improvement Plan (PIP) for Fairview and Porterville DCs:

\$11.9 Million increase (\$7.5 Million GF increase) and 119.7 Full Time Equivalent (FTE) positions to effectively implement the PIP, which DDS entered into on January 15, 2014, to bring the Intermediate Care Facilities (ICF) at Fairview and Porterville DC into compliance with federal certification requirements, while allowing DDS to retain federal funding for services in the ICFs.

Expansion of Secure Treatment Program (STP) at Porterville DC:

\$9.0 Million GF increase and 92.3 FTE positions to expand the STP capacity at Porterville DC by 32 beds, to accommodate the increasing number of individuals deemed incompetent to stand trial.

Sonoma DC Funding Backfill of Four Decertified ICF Units:

\$8.8 Million GF increase is needed to replace the loss of \$8.8 Million in federal funding as a Reimbursement (FFP) for the four ICF units. DDS voluntarily decertified these units on January 17, 2013, to retain FFP for the remaining ICF units. The assumption was that Sonoma DC would receive a favorable outcome on the survey and have all eleven ICF Units recertified by July 1, 2014. In July 2014, the California Department of Public Health (CDPH) did not find sufficient progress in the PIP to warrant recertification. DDS has appealed that action. However, the four ICF units voluntarily decertified are not eligible for FFP during the appeal process period. DDS

assumes a successful recertification survey of the four ICF units in February 2015 and receipt of FFP starting on March 1, 2015.

Various Baseline Adjustments within the Developmental Center

Appropriation:

\$0.5 Million increase (\$0.3 Million GF increase) net total adjustments for various appropriation items; \$0.53 Million (\$0.33 Million GF) and 8.0 FTE positions related to staffing population adjustments; reduction of \$0.02 Million GF to the appropriation item for rental payments on lease-revenue bonds, as a result of changes from amount budgeted for the costs for 2014-15; and a reduction of \$0.04 Million in Lottery Education Funds.

2015-16

The Governor's Budget provides services and support for 1,010 residents (average in-center population) in DCs, a decrease of 102 residents from the 2014-15 enacted budget. Funding decreased to \$515.2 Million TF (\$279.8 Million GF); a decrease of \$13.0 Million in TF, with a net increase in GF of \$3.8 Million. Authorized positions decreased to 4,270.2, a decrease of 190.9 positions below enacted budget. By the end of the budget year, DDS projects 951 individuals residing in the state-operated facilities. DC costs are also adjusted to reflect closure of the Lanterman DC facility on December 31, 2014, and assumes the property will be transferred to the California State University System on July 1, 2015. Adjustments to the enacted budget for the DCs include:

Various Employee Compensation and Staff Benefit Contribution Increases:

\$13.2 Million increase (\$7.9 Million GF increase) due to employee compensation augmentations approved through the collective bargaining process, as well as increases in retirement and other staff benefit employer contribution rates.

Various Baseline Adjustments Within the Developmental Center

Appropriation:

\$0.3 Million increase (\$0.3 Million GF increase), as a net adjustment, resulting from an increase of \$0.28 Million GF for rental payments on lease-revenue bonds and a reduction of \$0.04 Million in Lottery Education Funds.

DC Population Staffing Adjustments (Excluding Lanterman):

\$12.0 Million decrease (\$6.6 Million GF decrease) for population staffing adjustments, and a total reduction of 149.4 positions (138.5 Level of Care (LOC) and 10.9 Non-Level of Care (NLOC)) (excluding Lanterman DC).

PIP for Fairview and Porterville DC:

\$12.2 Million increase (\$6.5 Million GF increase) and 179.5 FTE positions, now reflecting full year costs, to effectively implement the PIP, which DDS

entered into on January 15, 2014, to bring the ICFs at Fairview and Porterville into compliance with federal certification requirements, while allowing DDS to retain federal funding for services in the ICFs.

Expansion of Secure Treatment Program (STP) at Porterville DC:

\$18.0 Million GF increase and 184.5 FTE positions, now reflecting full year costs, supporting the expansion of the STP at Porterville DC by 32 beds to accommodate the increasing number of individuals deemed incompetent to stand trial.

Replacement of the Sonoma Creek Pump Station Intake System at Sonoma DC:

\$1.6 Million GF increase for the replacement of the Sonoma Creek Pump Station Intake System located at the Sonoma DC, for Phase I funding to prepare Preliminary Plans and Working Drawings. The structure that was designed and built to divert water for use by the residents and staff at Sonoma DC was damaged, and various components require replacement.

Lanterman DC Post Closure Adjustments:

\$46.3 Million decrease (\$23.9 GF decrease) associated with the closure of Lanterman DC, and with DDS no longer being responsible for the property on July 1, 2015, the following budget adjustments are needed:

- \$64.8 Million decrease (\$33.9 Million GF decrease) and elimination of 418.5 positions from the Developmental Center budget, reflecting full year budgeted levels for Personal Services and Operating Expenses and Equipment.
- \$0.3 Million decrease (\$0.2 Million GF decrease) in funding level for the Foster Grandparent/Senior Companion Program at the Lanterman DC moving to the Community Services Program.
- \$17.3 Million increase (\$9.1 Million GF increase) to pursue the settlement of open Workers' Compensation claims assigned to the Lanterman DC. For one year after closure of the facility, the State may claim matching federal funds for these expenditures.
- \$0.6 Million increase (\$0.4 Million GF increase) and 6.0 positions to extend the Regional Resource Development Projects to ensure that individuals who moved from Lanterman DC to community settings, successfully maintain their placements and living arrangements.
- \$0.3 Million increase (\$0.2 Million GF increase) and 2.0 positions for the Community State Staff program administration.
- \$0.6 Million increase (\$0.5 Million GF increase) and 5.0 positions stationed at Headquarters that supported the closure of Lanterman DC, are now needed to continue working on post-closure workload and on future statewide downsizing in the overall DC system.

The Lanterman Closure Update Report and closure milestones will be released separately.

SPECIAL REPAIRS

The Governor's Budget contains statewide item Control Section 6.10 which provides \$125 Million GF to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount, DDS is scheduled to receive an allocation of \$7 Million GF for critical deferred maintenance projects at the DCs.

CAPITAL OUTLAY

The Governor's Budget for 2015-16 contains a request for \$0.8 Million GF for Phase I of the project to upgrade the fire alarm system at Porterville DC. Phase I consists of preparation of Preliminary Plans and Working Drawings. The purpose of the project is to improve the safety of the consumers and staff by designing, purchasing, and installing an updated and integrated fire alarm system that meets current fire, life, and safety codes in thirteen occupied buildings.

HEADQUARTERS

2014-15

The Governor's Budget reflects changes to 2014-15 Headquarters' enacted operations funding of \$1.3 Million TF (\$0.8 Million GF) for Retirement Rate Contribution, Employee Compensation, and other Staff Benefit increases. The mid-year adjusted 2014-15 budget is \$42.5 Million TF (\$27.1 Million GF).

2015-16

The Governor's Budget proposes Headquarters operations funding for 2015-16 of \$42.6 Million TF (\$27.1 Million GF). This is an increase of \$0.1 Million Other Funds from the 2014-15 Governor's Budget, reflecting the full year Other Staff Benefits contribution increase.

DEPARTMENT OF DEVELOPMENTAL SERVICES
November 2014 Estimate

FUNDING SUMMARY
(Dollars in Thousands)

	2014-15	2015-16	Difference
BUDGET SUMMARY			
Community Services	\$4,848,508	\$5,141,657	\$293,149
Developmental Centers	562,894	515,213	-47,681
Headquarters Support	42,484	42,579	95
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TOTALS, ALL PROGRAMS	\$5,453,886	\$5,699,449	\$245,563
FUND SOURCES			
General Fund	\$3,098,079	\$3,298,820	\$200,741
Reimbursements: Totals All	2,279,598	2,339,750	60,152
<i>Medicaid (aka HCBS) Waiver</i>	1,336,818	1,409,047	72,229
<i>Medicaid (HCBS) Waiver Administration</i>	15,266	15,318	52
<i>Medicaid Administration (NHR)</i>	10,493	10,493	0
<i>Targeted Case Management</i>	153,335	153,578	243
<i>Targeted Case Management Admin.</i>	4,681	4,681	0
<i>Medi-Cal</i>	242,054	228,214	-13,840
<i>Title XX Block Grant</i>	214,555	214,555	0
<i>ICF-DD/State Plan Amendment</i>	55,947	55,947	0
<i>Quality Assurance Fees (DHCS)</i>	9,900	9,900	0
<i>1915(i) State Plan Amendment</i>	186,603	192,861	6,258
<i>Money Follows the Person</i>	8,267	6,618	-1,649
<i>Homeland Security Grant</i>	411	411	0
<i>Race to the Top</i>	341	143	-198
<i>Early Periodic Screening Diagnostic & Treatment</i>	25,288	26,274	986
<i>Other</i>	15,639	11,710	-3,929
Federal Trust Fund	70,116	54,699	-15,417
Lottery Education Fund	367	367	0
Program Development Fund (PDF)	4,396	4,452	56
Mental Health Services Fund	1,180	1,211	31
Developmental Disabilities Svs Acct	150	150	0
AVERAGE CASELOAD			
Developmental Centers	1,116	1,010	-106
Regional Centers	278,593	288,317	9,724
AUTHORIZED POSITIONS			
Developmental Centers	4,681.1	4,270.2	-410.9
Headquarters	381.5	381.5	0.0

DEPARTMENT OF DEVELOPMENTAL SERVICES
November 2014 Estimate

(Dollars in Thousands)

	2014-15	2015-16	Difference
Community Services Program			
Regional Centers	\$4,848,508	\$5,141,657	\$293,149
Totals, Community Services	\$4,848,508	\$5,141,657	\$293,149
General Fund	2,761,388	\$2,991,911	\$230,523
Dev Disabilities PDF	4,071	4,103	32
Developmental Disabilities Svs Acct	150	150	0
Federal Trust Fund	67,172	51,853	-15,319
Reimbursements	2,014,987	2,092,900	77,913
Mental Health Services Fund	740	740	0
Developmental Centers Program			
Personal Services	\$472,632	\$430,243	-\$42,389
Operating Expense & Equipment	90,262	84,970	-5,292
Total, Developmental Centers	\$562,894	\$515,213	-\$47,681
General Fund	\$309,648	\$279,839	-\$29,809
Federal Trust Fund	384	285	-99
Lottery Education Fund	367	367	0
Reimbursements	252,495	234,722	-17,773
Headquarters Support			
Personal Services	\$36,290	\$36,385	\$95
Operating Expense & Equipment	6,194	\$6,194	0
Total, Headquarters Support	\$42,484	\$42,579	\$95
General Fund	\$27,043	\$27,070	\$27
Federal Trust Fund	2,560	2,561	1
PDF	325	349	24
Reimbursements	12,116	12,128	12
Mental Health Services Fund	440	471	31
Totals, All Programs	\$5,453,886	\$5,699,449	\$245,563
Total Funding			
General Fund	\$3,098,079	\$3,298,820	\$200,741
Federal Trust Fund	70,116	54,699	-15,417
Lottery Education Fund	367	367	0
Dev Disabilities PDF	4,396	4,452	56
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,279,598	2,339,750	60,152
Mental Health Services Fund	1,180	1,211	31
Caseloads			
Developmental Centers	1,116	1,010	-106
Regional Centers	278,593	288,317	9,724
Authorized Positions			
Developmental Centers	4,681.1	4,270.2	-410.9
Headquarters	381.5	381.5	0