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TO: REGIONAL CENTER EXECUTIVE DIRECTORS
REGIONAL CENTER BOARD PRESIDENTS

SUBJECT: 2026 BUDGET TRAILER BILL FOR DEVELOPMENTAL SERVICES

This directive provides a summary of SB 163, the 2026 Developmental Services Budget Trailer Bill. The Governor signed the bill yesterday, but its “chaptering number” with the Secretary of State has not yet been assigned. SB 163 contains numerous changes that influence California’s developmental disabilities services system. The changes made by this bill became effective in law when the bill is “chaptered” by the California Secretary of State, unless otherwise specified by the law. While this letter provides a high-level summary, the language of the bill itself is the law.

Requirements and due dates for regional centers are included in this directive, to avoid the need for directives on some of the topics. Below is a list of topics affected by SB 163, with links to the sections in this directive where relevant statutory changes can be found:

Early Intervention Programs Oversight
SB 163 Sections 3-7: (Government Code Sections 95007, 95008, 95012, and 95024 were amended, and Chapter 3.1 was added) An interagency agreement has been discontinued between the Department of Developmental Services (Department) and the California Department of Education (CDE) for overseeing local educational agencies

(LEAs) operating early intervention programs. SB 163's changes give the Department for three years the authority to issue directives to LEAs and regional centers operating early intervention programs to support a smooth transition of oversight for LEAs that receive federal early intervention grants. Since early intervention delivery varies significantly between regional centers and LEAs, this change creates an opportunity to align and strengthen consistent practices statewide.

The changes in the law also consolidate provisions related to a toddler's transition from regional center early intervention programs at age three. They formalize the regional center's responsibility to provide information about available community and preschool programs, including the California State Preschool Program (CSPP), for toddlers transitioning out of Early Start.

Implementation: The Department will issue directives to local educational agencies and regional centers operating early intervention programs. The Department also will post the complete list of CSPP locations on its website once the list is published by the CDE, and will notify regional centers of its availability.

Regional Center Oversight

SB 163 Section 8 and 28: (Public Contract Code Section 10295 and Welfare and Institutions Code Section 4621.6 were amended) These changes allow the Department to issue fiscal allocation letters to regional centers based upon the annual state budget. This change streamlines the process by removing redundant reviews and eliminating the need for formal contract amendments for each funding adjustment. This exemption does not apply to contracts for non-information technology goods or information technology goods and services, consistent with the May 2025 directive.

Implementation: The Department will allocate and adjust regional center funding through this fiscal allocation letter process, beginning with the C-2 Allocation.

SB 163 Section 12: (Welfare and Institutions Code Section 4435.1 was amended) This change requires the Department to end the practice of "courtesy vendorization" by March 1, 2028, removing unnecessary barriers for service providers seeking to expand the areas in which they offer services. Service providers should give preference to supporting individuals associated with the regional center they originally were vendored with.

Implementation: The Department will issue guidance to regional centers before March 1, 2028, following engagement with regional centers and service providers about administrative simplicity, quality assurance, the application of rate models, and other pertinent topics.

SB 163 Section 27 and Section 33: (Welfare and Institutions Code Section 4629 was amended) These changes support the consolidation of the base regional center contract with the regional center performance contract and the regional center performance measures. These changes rename "performance objectives/standards" as "performance measures" and to align those measures with indicators and benchmarks developed under Welfare and Institutions Code Section 4620.5. The Department-approved performance measures must be incorporated into regional center contracts to standardize outcome tracking and support high-quality regional center operations.

Regional center contracts now must include compliance with written Department directives and incorporate updated performance measures. These measures focus on individual outcomes, timely and culturally responsive access to services, facilitating access to generic services, equity, including outcomes for individuals receiving regional center services consistent with equity measures published by the Department, employment supports, and tracking of incentive programs. In developing or revising these measures, the Department must consider the availability of regional center funding.

<u>Implementation</u>: The Department will work with regional centers to consolidate and standardize performance measures, prior to issuing a directive and executing new contract amendments. Regional centers are encouraged to read the language of the new law to prepare for these changes.

<u>SB 163 Section 29:</u> (Welfare and Institutions Code Section 4622 was amended) Amendments made to this section strengthen professional support for regional center governing boards. Effective January 1, 2028, regional center boards must meet the following requirements:

- Boards must have no more than 17 members and include individuals with expertise in California law, management, board governance, fiscal or financial matters, and the administration of developmental disability programs. The new statute also includes a one-year temporary exception to the maximum number of board members, if certain conditions are met.
- Boards must conduct an annual review of the executive director's leadership, including compliance with Department contracts, addressing audit results, and efforts to improve on regional center performance measures.
- Boards must annually review how well the regional center provides linguistically and culturally appropriate services, including responsiveness to diverse community needs and concerns.
- Board membership must reflect the geographic, disability, and ethnic characteristics of the regional center's catchment area.
- Board membership is expanded from parents, to include other family members of individuals who receive regional center services.
- Boards must appoint an advisory group consisting of people with lived experience with intellectual and developmental disabilities who represent the range of disabilities supported by the regional center.
- Boards must adopt an anti-retaliation policy to protect board members and regional center employees. The Department will investigate reported allegations and will issue a model policy separately.
- Boards must provide board materials in plain language whenever possible.

- Regional centers must provide individualized supports and reasonable accommodations to all board members so each person can participate fully in discussions and decisions.
- All members of the governing board, prior to assuming or continuing their role and annually thereafter, shall complete training regarding specified topics that is provided by or approved by the Department.

<u>Implementation</u>: The Department will issue a directive to regional centers regarding board training requirements and the approved training curricula, no later than February 1, 2027, followed by additional guidance on related topics. Regional centers must update policies, procedures, publications, and other materials as needed to reflect these changes, only after receiving the Department's directive and guidance.

<u>SB 163 Section 30:</u> (Welfare and Institutions Code Section 4625.5 was amended) This section continues requiring regional center governing boards to adopt and maintain a written policy for reviewing and approving certain contracts. The approval threshold is increasing from valued at $250,000 to $350,000. Contracts at or above this amount are not valid without board approval. On The amendment to this section increases, Until July 1, 2030, this approval threshold is increased to $350,000, and thereafter it further is increased to $450,000. Then, every five years starting July 1, 2035, it is increased by another $50,000. These contract approval limits do not apply to vendor approval letters issued under Title 17 or purchase-of-service authorizations.

<u>Implementation</u>: Effective July 14, 2026, regional center boards must continue to review and approved specified contracts valued at $350,000 or more before the regional center can enter into the agreement. The Department will issue guidance establishing a statewide contract review policy for regional centers. Regional centers will be able to modify that policy to align with their operations following Department approval. Regional centers should update their policies, procedures, publications, and related materials only after receiving guidance from the Department.

<u>SB 163 Section 31 and 32:</u> (Welfare and Institutions Code Section 4625.6 was repealed and added) This section now requires that by July 1, 2027, every regional center governing board must employ or retain an independent attorney with at least five years of experience representing nonprofit or public entities. This attorney may not be a regional center employee and must attend all board and executive committee meetings where final decisions are made. The attorney will provide legal advice on governance, meeting conduct, open and closed session requirements, executive director contracts, conflict of interest, and other board-related matters. If the attorney position becomes vacant, then for no more than six months, the board and executive committee may continue taking final actions, if public meeting notices clearly state that decisions may be made without legal counsel present.

<u>Implementation</u>: No later than July 1, 2027, regional center boards must employ or retain an attorney to advise on specified topics and be present at all board and executive committee meetings in which final decisions are made.

<u>SB 163 Section 34:</u> (Welfare and Institutions Code Section 4636 was amended) This section now temporarily authorizes the Department to operate, or contract for the operations of, a regional center when there is a failure to perform. The Department also may provide additional assistance at the request of the incoming governing board until it fully assumes responsibility for the operations. During this transition period, the Department must provide updates to the Joint Legislative Budget Committee every six months until the transition to a new governing board is complete.

<u>Implementation</u>: There is no immediate impact on regional centers.

<u>State-Operated Facilities – Direct Care Purchase Exemption</u>
<u>SB 163 Section 9:</u> (Welfare and Institutions Code Section 4418.05 was added) This section authorizes the Department to purchase essential goods and services for individuals residing at state-operated facilities, through an exemption from specified procurement requirements. This change supports the timely acquisition of items necessary for the operation of state-operated facilities and the delivery of person-centered services.

<u>Implementation</u>: There is no impact on regional centers.

<u>Life Outcomes Improvement System (LOIS)</u>
<u>SB 163 Section 19:</u> (Welfare and Institutions Code Section 4519.1 was added) This section puts the LOIS system into law. It requires regional centers to transition from their current information technology systems to the LOIS once it is implemented, establishing a single statewide case management and fiscal system for regional centers. This section also prohibits regional centers from planning or transitioning to any other case management system, effective immediately, without prior approval from the Department. Regional centers should prioritize data clean-up and other transition activities in preparation for the implementation and transition of LOIS. The Department will provide quarterly updates to the Legislature and Legislative Analyst's Office on the progress of LOIS and later submit a post-implementation evaluation.
Beginning July 14, 2026, regional centers must notify the Department of any plans or actions that allow third-party systems to access individual, provider, financial, or operational data, as well as any plans to adopt new information technology systems that handle data or duplicate current system functions. They must not transition any existing case management system to anything other than LOIS without written departmental approval and must prioritize data cleanup and other transition activities as directed. Once LOIS is implemented, regional centers are required to discontinue all other case management and financial systems according to department instructions, so that the transition occurs with minimal disruption to individuals, families, and their operations.

Implementation: Regional center contracts will be amended to include these requirements. Regional centers must review the statute and prepare for LOIS by complying with these requirements.

Federal Access Rule

SB 163 Sections 20, 24, 42 and 48: (Welfare and Institutions Code Sections 4519.2 and 4572 were amended, Section 4731 was amended and repealed, and Chapter 16 (commencing with Section 4890) was added) These changes establish a new grievance process that aligns with the federal Home and Community-Based Services (HCBS) Access Rule. Effective February 1, 2027, this new process will consolidate the existing Individual Rights and Citizen Complaints into a single, streamlined grievance process. Grievances must be accepted regarding individual program plans not being developed in a person-centered way; services in those plans not being delivered in a person-centered way; or a belief that an individual's residential setting is not compliant with Home- and Community-Based Services rules. Regional centers must investigate each grievance and submit a proposed resolution to the grievant. An unsatisfied grievant can request review of the resolution by the Department.

Implementation: The Department will issue guidance and training to regional centers and the community in advance of the February 1, 2027, implementation date. Training will be both in person and online for regional centers and community groups. To support implementation, the Department will offer office hours for regional centers from December 2026 through March 2027. The Department also regularly will review grievance process data as part of its ongoing oversight responsibilities and for continuous process improvement purposes.

Rate Reform / Quality Incentive Program Contract Exemption

SB 163 Section 21 and 22: (Welfare and Institutions Code Sections 4519.10 and 4519.11 were amended) These sections were amended to extend the contract exemption authorized in the annual Budget Act for rate reform and the Quality Incentive Program to December 31, 2030. These changes also extend the timeline for the Department to finalize rate reform regulations from June 30, 2028, to December 31, 2030. Rate reform has been supported by the expertise and technical capacity of a contractor, whose specialized expertise and history with the rate models will be maintained, while facilitating rate model knowledge transfer to the Department.

Implementation: There is no immediate impact on regional centers.

Quality Incentive Program

SB 163 Section 23: (Welfare and Institutions Code Section 4519.12 was added) This new section directs the Department and regional centers to actively support service providers in meeting quality incentive program benchmarks. It requires ongoing training and technical assistance, emphasizes data-driven planning to strengthen provider capacity, mandates clear and manageable data-reporting requirements, and requires an evaluation of barriers that prevented providers from accessing the 2026–27 quality incentive rate. It also requires the Department and regional centers to support providers in qualifying for the rate increment in 2027–28 and future years.

<u>Implementation:</u> The Department will issue directives to regional centers outlining the reporting measures for service providers that will impact their rates for FY 2027–28. Data collection for these measures will begin in Fall 2026. In addition, the Department will distribute communications to service providers and regional centers detailing available resources, training opportunities, implementation timelines, and other essential information. Regional centers will engage in outreach efforts to support providers to educate them on the requirements of the program, including the eligibility requirements.

<u>Remote Services</u>
<u>SB 163 Section 35:</u> (Welfare and Institutions Code Section 4648 was amended) Changes to this section clarify that, through December 31, 2028, individuals may continue choosing to receive certain services remotely, such as day programs, independent living services, and some behavioral therapies, any of which must be documented in their individual program plan (IPP). These remote options may not replace or reduce access to in-person services.

Beginning in March 2027, the Department must provide quarterly updates to the Legislature, by regional center, on how remote services are being used, including the number and ages of individuals receiving them and any differences between rural and urban areas. By February 1, 2028, the Department must submit a report summarizing why remote services were authorized, satisfaction levels, data from providers and regional centers, impacts on social connection and community integration, and whether remote services are achieving intended outcomes. Providers must document each individual's remote services on a monthly basis as directed by the Department.

<u>Implementation</u>: The Department will issue revised guidance and a revised technical bulletin to regional centers on these topics. Regional centers should only update policies, procedures, publications, and other materials as needed to reflect these changes after receiving the Department's guidance. The following notices already have been issued by the Department and should continue to be followed until revised guidance supersedes them:
<u>D-2025-Community Services Division-003 Remote Services - Day Programs and Independent Living Services</u>

- *This directive continues to allow individuals to voluntarily continue receiving certain services remotely through December 31, 2026.*

<u>G-2026-Regional Center Operations-001 Tracking the Provision of Remote Services</u>

- *The Department announced an enhancement to the eBilling application to track the delivery of remote services.*

Technical Bulletin TB-579, Remote Services Tracking

- *Provides instructions for tracking remote services in eBilling.*

Effective January 1, 2027, the Department will begin collecting from regional centers and service providers information on:

- *Reasons remote services were authorized, including needs, preferences, or circumstances that led to their use*
- *Satisfaction of individuals receiving remote services*
- *Duration of use of remote services and supports*
- *Whether participation in remote services contributes to social isolation, diminishes opportunities for community integration, or reduces access to meaningful social relationships and activities*
- *Outcomes for individuals using remote services, including whether services and supports are working as intended, and whether remote delivery affects the fidelity or quality of the services*
- *Service providers must document each individual's remote services on a monthly basis, following with written instructions issued by the Department.*
- *Regional centers must document an individual's choice to receive remote services within the IPP.*

Self-Determination Program Administrative Cost Funding

SB 163 Section 36: (Welfare and Institutions Code Section 4685.8 was amended) This section maintains the existing requirement that the federal financial participation funds generated by former participants of the self-determination pilot project must be used to support the costs of criminal background checks, administrative activities necessary to operate the program, and related program support, including support for the Statewide Self-Determination Advisory Committee (SSDAC). Amendments to this section now authorize up to one million dollars per year, from July 14, 2026 through June 30, 2030, for allocation to Local Volunteer Advisory Committees (LVACs). These funds may be used only for statewide standardized training and local community resource fairs. Starting July 1, 2030, continued funding for these activities will depend on a new appropriation by the Legislature. Allocations to LVACs of existing funding from prior fiscal years, including the 2025-26 fiscal year that just ended, are not impacted by these changes.

Implementation: LVACs will continue advising regional centers. The Department will issue guidance to regional centers and LVACs regarding these changes. Prior to finalizing and issuing guidance, the Department will consult with community partners, including the SSDAC.

Rate Model Updates: Tailored Day Services

SB 163 Section 37: (Welfare and Institutions Code Section 4688.21 was amended) This section was amended to authorize Tailored Day Services to be provided on the same day as supported employment individual placement services.

Implementation: Tailored Day Services now may be provided on the same day as employment services individual placement, as long as regional centers verify that the two services do not overlap in time. Regional centers must review these changes to *comply, and must update policies, procedures, publications, and other materials as needed to reflect this change and to work with service providers on an ongoing basis.*

Rate Model Updates: Family Teaching Model

SB 163 Section 38: (Welfare and Institutions Code Section 4689.1 was amended) The amendments to this section authorize a distinct service code and rate model for the Family Teaching Model, to be separate from the Family Home Agency rate model.

Implementation: The Department will issue a directive regarding the use of a new service code and rate model for the Family Teaching Model. Following that directive, r*egional centers must update policies, procedures, publications, and other materials as needed to reflect this change.*

Regional Center Supported Living Services 40-Hour Work Week

SB 163 Section 39: (Welfare and Institutions Code Section 4689.9 was amended) amendments to this section clarify that hourly employees of regional center service providers who provide supported living services are subject to overtime compensation at one-and-a-half times their regular pay rate for any hours worked over 40 in a week, regardless of other state or federal overtime rules. Unless a service provider sets a different schedule, the workweek runs from Sunday at midnight through Saturday at 11:59 p.m.

Implementation: There is no impact on regional centers. Service providers already are subject to this requirement, which has been put into California law to avoid confusion with potentially conflicting federal wage and hour requirements.

Employment Access Alignment

SB 163 Sections 2, 43-47: (Government Code Section 15432 and Welfare and Institutions Code sections 4851, 4856, 4861, and 4865 were amended, and Section 4868.6 was added) These changes provide the Department of Rehabilitation (DOR) and the Department with authority to establish a dual provider system for individuals with intellectual or developmental disabilities seeking competitive integrated employment. The changes also require the departments to align vendorization requirements between the two departments and remove barriers that prevent individuals from accessing employment. Additionally, these changes eliminate, as of July 14, 2026, the requirement that employment service providers be accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF).

Implementation: The Department will issue a directive to regional centers. The two departments will work with the community to inform new service standards and support the development of an integrated employment services system. The Department will provide semi-annual updates on its progress through its website. Regional centers must review the language changes to comply and update policies, procedures, publications, and other materials as needed to reflect these changes.

Sunsetting Outdated Legislative Reporting Language

SB 163 Sections 1, 10, 11, 14-17, 25, 26, 40, 49-51: Amendments in these sections eliminate the outdated legislative reporting requirements identified below. These changes remove obsolete reporting provisions related to developmental center operations and closures, completed studies and initiatives, and other outdated reporting requirements.

Government Code Section 14672.9
This reporting requirement regarding developmental center budgets was deleted because this same information is included in the department's annual budget display.

Welfare and Institutions Code Section 4429
The term "state hospitals for the developmentally disabled" refers to the former legal name for California's developmental centers which have since closed. This provision does not pertain to the Department of State Hospitals. Accordingly, the requirement no longer is applicable, does not require any coordination or action, and therefore was deleted.

Welfare and Institutions Code Section 4430
This requirement to report to the Legislature any plans for additional developmental centers was deleted because they have been closed.

Welfare and Institutions Code Section 4474.1
This reporting requirement applies only when the Department proposes closing a state developmental center, requiring submission of a detailed closure plan to the Legislature by April 1 prior to the fiscal year. With only the secure treatment program at Porterville Developmental Center remaining, any future closure would require additional statutory changes, so this reporting requirement was deleted.

Welfare and Institutions Code Section 4474.12
This requirement to study the impacts on and outcomes for individuals transitioning from developmental centers into the community was deleted because the developmental centers have closed, and the final longitudinal study tied to their closure was completed in 2023.

Welfare and Institutions Code Section 4474.15
This statute was deleted because all required updates and reporting tied to developmental center closures have been completed, and the reporting provisions became inoperative under existing law.

Welfare and Institutions Code Section 4474.2
This reporting requirement was deleted because it pertains to activities associated with the transition and closure of the developmental centers, and the related reporting obligations have been completed.

Welfare and Institutions Code Section 4620.3

Amendments to this section delete a one-time report from many years ago that directed the Department to submit proposed best practices, including how stakeholders were engaged, the expected impacts on individuals, families, and providers, estimated cost savings, and any draft statutory language needed to implement those best practices.

Welfare and Institutions Code Section 4691
This reporting requirement was deleted because it was outdated. It directed the Department to submit biennial reports to the Legislature every odd-numbered year, on differences between permanent and cost-based rates for day programs, and every even-numbered year on any funding not appropriated to fully reimburse proposed rates. AB 2423 from 2024 now requires reporting on updated rate models for all services within rate reform every two years.

Section 53 of Chapter 171 of the Statutes of 2001
This reporting requirement was deleted because it applied only to the finalized data analyses from the second phase of the Purchase of Services study completed in 2002.

Section 70 of Chapter 758 of the Statutes of 2008
This reporting requirement was deleted because the cost-containment measures it monitored were implemented and evaluated previously.

Section 19 of Chapter 26 of the Statutes of 2016
This reporting requirement was deleted because the developmental center units it monitored are closed.

<u>Implementation</u>: There is no impact on regional centers.