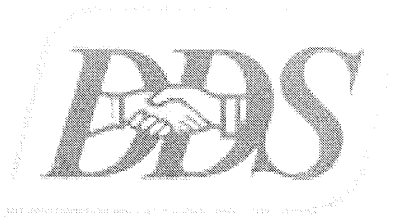


**Department of Developmental Services**

**May Revision Highlights**



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May 14, 2015

# DEPARTMENT OF DEVELOPMENTAL SERVICES MAY REVISION HIGHLIGHTS

## PROGRAM HIGHLIGHTS

The Department of Developmental Services (Department or DDS) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that approximately 280,000 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. A small number of individuals live in three state-operated developmental centers and one state-operated community facility. The number of consumers with developmental disabilities in the community served by regional centers is expected to increase from 279,453 in the current year to 289,931 in 2015-16. The number of individuals living in state-operated residential facilities is expected to be 996 by the end of Fiscal Year (FY) 2015-16.

### **Plan for Developmental Center Closures**

The May Revision proposes to initiate the closure planning process for the three remaining developmental centers (DCs); Sonoma, Fairview and the General Treatment Area of Porterville, over the next six years. The Department will submit a closure plan to the Legislature on October 1, 2015 with the goal of closing Sonoma DC (SDC) by the end of 2018. The closure of Fairview DC (FDC) will follow the closure of SDC and lastly the closure of the General Treatment Area of Porterville DC (PDC) by 2021.

This is consistent with the recommendations of the DC Task Force "*Plan for the Future of Developmental Centers*," issued January 13, 2014 that recommended that the future role of the State should be to operate a limited number of smaller, safety-net crisis and residential services, and continue serving individuals judicially committed to the State for competency training at the PDC Secure Treatment Program (STP) and to provide transition services at Canyon Springs Community Facility.

Trailer bill language is being proposed to allow DDS to allocate funds to start developing community resources specific to the needs of residents of SDC prior to the statutorily required SDC Closure Plan as described in Welfare and Institutions Code Section 4474.1 that will be submitted for Legislative approval on October 1, 2015.

The May Revision includes \$49.3 Million (\$46.9 Million GF) of Community Placement Plan (CPP) funding to begin development of resources to support the transition of SDC residents. These resources will fund the initial development of homes to support consumers, provide additional training for providers, and develop additional programs such as supported living services, crisis services, and transportation support and

services. This funding will also be used for regional center and state coordination of the SDC closure. Specifically, DDS proposes \$46.7 Million for start-up and placement, \$1.3 Million for regional center coordination and \$1.3 Million for state coordination.

### May Revision Budget Summary

The May Revision includes \$5.9 Billion total funds (\$3.5 Billion GF) for 2015-16; a net increase of \$456.7 Million above the updated 2014-15 expenditures, an 8.3 percent increase.

<b>BUDGET SUMMARY</b>				
<i>(Dollars in Thousands)</i>				
	<b>Updated 2014-15</b>	<b>Updated 2015-16</b>	<b>Difference</b>	<b>Percent of Change</b>
<b>TOTAL FUNDS</b>				
Community Services	\$4,891,976	\$5,389,415	\$497,439	10.2%
Developmental Centers	557,693	515,579	-42,114	-7.6%
Headquarters Support	42,484	43,850	1,366	3.2%
<b>TOTALS, ALL PROGRAMS</b>	<b>\$5,492,153</b>	<b>\$5,948,844</b>	<b>\$456,691</b>	<b>8.3%</b>
<b>GENERAL FUND</b>				
Community Services	\$2,803,150	\$3,203,828	\$400,678	14.3%
Developmental Centers	310,131	295,127	-15,004	-4.8%
Headquarters Support	27,043	28,341	1,298	4.8%
<b>TOTALS, ALL PROGRAMS</b>	<b>\$3,140,324</b>	<b>\$3,527,296</b>	<b>\$386,972</b>	<b>12.3%</b>

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

## COMMUNITY SERVICES PROGRAM

### 2014-15

To provide services and support to 279,453 persons with developmental disabilities in the community, the May Revision updates the Governor's Budget to \$4.9 Billion total funds (\$2.8 Billion GF). The May Revision includes increase of \$43.4 Million total funds (\$41.7 Million GF) above the 2014-15 Governor's Budget for regional center operations (OPS) and purchase of services (POS). This is composed of:

#### Caseload and Utilization

\$73.9 Million increase (\$52.4 Million GF increase) in OPS and POS costs to reflect updated caseload and utilization due to updated population and expenditure data including Home and Community Based Services (HCBS) waiver enrollment above budgeted levels.

### **Continuation Costs for Residents Transitioning from a DC into the Community**

\$21.4 Million increase (\$15.7 Million GF increase) in POS to reflect the continuing costs for consumers who under the CPP transitioned from a DC into the community in 2013-14 and whose costs will now be funded in 2014-15 with POS. For DC residents who transitioned into the community in 2013-14 their continuation costs are reflected in the POS expenditure trends for 2014-15. However, the continuation costs for residents of DCs who transitioned into the community in 2012-13 and 2013-14 are significantly higher than in prior years. Currently, the Governor's Budget includes \$4.2 Million in continuation costs in the estimate for Community Care Facilities. For the May Revision we propose increasing continuation costs by an additional \$21.4 Million. With future placements of DC residents into the community that include individuals with challenging service needs it is expected that continuation costs will need to be adjusted on an annual basis.

### **Assembly Bill (AB), Chapter 351, Statutes of 2013, 10 Minimum Wage Increase, Effective July 1, 2014**

-\$31.2 Million decrease (-\$16.5 Million GF decrease) in POS to reflect costs associated with state-mandated hourly minimum wage increase from \$8 to \$9 that went into effect July 1, 2014. Initial estimate of costs was \$106.5 Million (\$59.7 Million GF). Based upon service providers and regional center reports of estimated annual fiscal impact the revised estimate of costs is \$75.3 Million (\$43.2 Million GF).

### **GF Offset Due to Reduction in Revenues from the Program Development Fund (PDF)**

-\$1.3 Million decrease in revenue from the PDF offset by \$1.3 Million increase in GF in POS to reflect updated population, assessments and payment information associated with the Parental Fee Program.

### **United States Department of Labor's Home Care Regulations (Federal Labor Overtime Regulations)**

-\$20.7 Million decrease (-\$11.2 Million GF decrease) to reflect the United States District Court's actions regarding the Federal Labor Overtime Regulations that would have required overtime pay for previously exempted home care workers.

## **2015-16**

The May Revision projects the total community caseload at 289,931, as of January 31, 2016, and assumes an increase of 10,478 consumers over the updated 2014-15 caseload. The estimate proposes 2015-16 funding for services and support to persons with developmental disabilities in the community at \$5.4 Billion total funds (\$3.2 Billion GF), an increase of \$247.7 Million (\$211.9 Million GF) over the Governor's Budget. The regional center budget changes include:

### **Caseload and Utilization**

\$120.8 Million increase (\$82.9 Million GF) in OPS and POS to reflect caseload and utilization due to updated population and expenditure data including HCBS Waiver enrollment above budgeted levels.

### **AB 10, Minimum Wage**

-\$31.0 Million decrease (-\$16.4 Million GF decrease) as follows:

- \$0.2 Million increase (\$0.2 Million GF increase) in OPS to reflect a correction of the costs associated with the state-mandated hourly minimum wage increase from \$9 to \$10, effective January 1, 2016. For the Governor's Budget the estimated fiscal impact did not include regional center Revenue Clerk positions that are budgeted at the minimum wage; and
- -\$31.2 Million decrease (-\$16.5 Million GF decrease) to reflect costs associated with the state-mandated minimum wage increase from \$8 to \$9 that went into effect July 1, 2014. Initial estimate of costs was \$106.5 Million (\$59.7 Million GF).

### **Continuation Costs for Residents Transitioning from a DC into the Community**

\$37.9 Million increase (\$29.9 Million GF increase) in POS to reflect the continuing costs for consumers who under the CPP transitioned from a DC into the community in 2014-15 and whose costs will now be funded in 2015-16 with POS.

### **United States Department of Labor's Home Care Regulations (Federal Labor Overtime Regulations)**

\$2.0 Million increase (-\$0.9 Million GF decrease) in POS to reflect a correction in funding for the Federal Overtime Regulations. In error the Governor's Budget did not reflect \$1.9 Million in federal financial participation, and updated costs associated with implementation of the Regulations.

### **AB 1522, Chapter 317, Statutes of 2014; Healthy Workplace, Healthy Families Act of 2014**

\$1.7 Million increase (-\$0.9 Million GF increase) in POS to reflect an update of costs associated with the implementation of paid sick days by service providers.

### **Early Start Restoration of Eligibility Criteria**

\$9.8 Million GF increase in POS to reflect the full-year cost to provide expanded eligibility for Early Start Services. The Governor's Budget includes funding of \$5.6 Million to implement changes to the Early Start Program, effective January 1, 2015. For 2015-16, the Governor's Budget includes the same amount of funding to provide 12 months of expanded eligibility of Early Start Services. For the May Revision the

estimate of 2015-16 is updated to \$15.3 Million GF, an increase of \$9.8 Million over the Governor's Budget.

**Impacts from Other Departments: Department of Health Care Services (DHCS) – Behavioral Health Treatment (BHT)**

-\$3.0 Million decrease (-\$1.5 Million GF decrease) in POS to reflect an update of the estimated fiscal impact of implementation of BHT services by DHCS per Senate Bill 870, Chapter 40, Statutes of 2014, which directs DHCS to implement BHT services as a Medi-Cal benefit for individuals under the age of 21 with an Autism Spectrum Disorder diagnosis if required by federal law. This estimate reflects updated caseload data.

**GF Offset Due to Reduction in Revenues from the PDF**

-\$1.4 Million decrease in revenue from the PDF offset by \$1.4 Million increase in GF in POS to reflect updated population, assessments and payment information.

**GF Offset Due to Reduction in the Early Start, Part C Grant**

-\$0.5 Million decrease in the Early Start, Part C grant in POS due to a reduction in the State's share of the children under 3 years of age population offset by a \$0.5 Million GF increase.

**Prior Year GF Shortfall**

\$61.5 Million GF increase in POS to reflect unrealized savings and offsetting federal funds for prior year expenses, resulting in a need for additional GF to repay outstanding GF loans. After reconciling information on federal fund reimbursement assumptions, DDS has identified a shortfall of \$15.6 Million in fiscal year 2011-12 and \$46.0 Million in 2012-13. The shortfall is the result of an overestimate of reimbursements not adjusted for cost-containment proposals enacted during those fiscal years and lower than anticipated savings from the private insurance coverage of behavioral health therapy required by Chapter 650, Statutes of 2011 (Senate Bill 946). Additionally, provisional language is requested to specify that these funds are to be used only for prior year shortfalls.

**Additional CPP for the Closure of Sonoma DC by 2018**

\$48.0 Million GF increase in POS for additional CPP costs for the closure of SDC by the end of 2018; \$46.7 Million for start-up and placement, and \$1.3 Million for regional center resources for coordination.

## **DEVELOPMENTAL CENTERS PROGRAM**

### **2014-15**

To provide services and support to 1,117 residents in developmental centers (average in-center population), the May Revision updates the Governor's Budget to \$557.7 Million total funds (\$310.1 million GF), a net decrease of -\$5.2 Million total funds (\$0.5 Million GF increase) for Developmental Centers' State Operations funding. The update is comprised of:

#### **Foster Grandparent and Senior Companion Program Transfer from the Developmental Centers Program to the Community Services Program**

A decrease of -\$103,000 (-\$68,000 GF) from the Developmental Centers Program to the Community Services Program to reflect the closure of Lanterman DC.

#### **Update on Expansion of Secured Treatment Program (STP) at Porterville DC**

A decrease of -\$2.0 Million GF, and reduction of -19.0 positions, from the Governor's Budget. This is the result of an update of the estimated number of admissions to the STP from 32 to 20.

#### **Update on Sonoma DC Four Intermediate Care Facilities (ICF) Units GF Backfill**

A decrease of -\$4.4 Million in Reimbursement Authority, offset by an increase of \$4.4 Million GF, to backfill the loss of Medi-Cal Reimbursement for an additional four months (March through June 2015), covering the four Sonoma DC ICF units withdrawn January 2013 from the Medicaid Provider Agreement to ensure continued federal funding for the remaining seven ICF units. The state is in the process of negotiating a settlement with the federal government to continue federal funding for ICF units. However, it is not anticipated that the settlement will include funding for the withdrawn ICF units.

#### **Update on the Program Improvement Plans (PIP) for Fairview and Porterville DCs**

A decrease of -\$3.1 Million (-\$1.9 Million GF) and reduction of -46.1 positions as recruitment and retention efforts have demonstrated slow progress in hiring key positions at both FDC and PDC. The delay in the hiring of staff has reduced the amount of funding needed for the PIPs in the current year.

### **2015-16**

For 2015-16 the May Revision provides services and support for 1,035 residents (average in-center population) in developmental centers, an increase of 25 residents (due to less placements budgeted for in the prior year than anticipated) over the Governor's Budget. Funding increased to \$515.6 Million (\$295.1 Million GF); an increase of \$0.4 Million (\$15.3 Million GF). Authorized positions decreased from 4,270 to 4,249.0; a decrease of 21.2 positions below the Governor's Budget. By the end of

the budget year, there is expected to be 996 individuals residing in the state operated facilities. DC costs are also adjusted to reflect complete closure of the Lanterman DC. Adjustments to the FY 2015-16 May Revision for the developmental centers include:

### **DC Population Staffing Adjustments**

A net decrease of \$0.4 Million (\$0.1 Million GF increase) and a net reduction of -18.7 positions due to an update of operational needs at each DC location, while managing an increase of 25 in the average-in-center resident population, compared to the Governor's Budget.

### **Update on Lanterman DC Community State Staff Program**

A net reduction of -\$42,000 (\$22,000 GF increase ) to correct an error within the salary and wages calculation, and the realignment of the funding for the program as the positions do not meet the Centers for Medicare and Medicaid Services guidelines for federal funding participation as a Medi-Cal eligible expenditure.

### **Update on Expansion of the STP at Porterville DC**

A net increase of \$0.8 Million GF and a net reduction of -2.5 positions; an increase of 22 Level of Care staff and a reduction of -24.5 Non-Level of Care staff to reflect an update of the costs for the expansion of the STP from 170 admissions to 211 admissions for adults and to designate the STP as adult beds only.

### **Update on Sonoma DC Four ICF Units GF Backfill:**

Decrease of -\$13.2 Million in Reimbursement Authority offset by an increase of \$13.2 Million in GF, to backfill the loss of Medical Reimbursement for the full fiscal year specific to the four ICFs that were voluntarily withdrawn January 2013 from the Medicaid Provider Agreement to ensure continued federal funding for the remaining seven ICF units. The state is in the process of negotiating a settlement with the federal government to continue federal funding for ICF units. However, it is not anticipated that the settlement will include funding for the withdrawn ICF units.

### **Update on the PIPs for Fairview and Porterville DC**

-\$1.2 Million decrease in Reimbursement Authority offset by a \$1.2 Million increase to correct an error in determining the amount of eligible expenditures eligible for Reimbursement Authority.

### **Reevaluating Sonoma Creek Pump Station Project**

The Governor's Budget proposed a \$1.6 Million GF increase for the replacement of the SDC Pump Station Intake System located at the Sonoma DC, for Phase I funding to prepare Preliminary Plans and Working Drawings. DDS is reevaluating this proposed project in light of the current drought conditions and the water curtailments that are occurring throughout the state. Our reevaluation will consider the water needs for SDC residents and for fire suppression.



## **HEADQUARTERS**

### **2014-15**

There are no changes for 2014-15.

### **2015-16**

\$1.3 Million increase GF for 7.0 positions within the Community Services Division and funds for an Inter-Agency Agreement with the Department of Social Services for reimbursement of one dedicated staff position to handle the workload associated with expediting licensing of new license settings in 2015-16.

## **CAPITAL OUTLAY**

There are no changes for 2014-15 or 2015-16.

**DEPARTMENT OF DEVELOPMENTAL SERVICES**  
**2015-16 May Revision**

**FUNDING SUMMARY**

*(Dollars in Thousands)*

	2014-15	2015-16	Difference
<b>BUDGET SUMMARY</b>			
COMMUNITY SERVICES	\$4,848,508	\$5,141,657	\$293,149
DEVELOPMENTAL CENTERS	557,693	515,579	-42,114
HEADQUARTERS SUPPORT	42,484	43,850	1,366
<b>TOTALS, ALL PROGRAMS</b>	<b>\$5,448,685</b>	<b>\$5,701,086</b>	<b>\$252,401</b>
<b>FUND SOURCES</b>			
General Fund	\$3,098,562	\$3,315,379	\$216,817
Reimbursements: Totals All	2,273,949	2,324,828	50,879
<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>	236,405	213,292	-23,113
<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 &amp; Treatment</i>	25,288	26,274	986
<i>Other</i>	15,639	11,710	-3,929
Federal Trust Fund	70,081	54,699	-15,382
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
<b>AVERAGE CASELOAD</b>			
Developmental Centers	1,117	1,035	-82
Regional Centers	279,453	289,931	10,478
<b>AUTHORIZED POSITIONS</b>			
Developmental Centers	4,616.0	4,249.0	-367.0
Headquarters	381.5	388.5	7.0

**DEPARTMENT OF DEVELOPMENTAL SERVICES**  
**2015-16 May Revision**

(Dollars in Thousands)

	2014-15	2015-16	Difference
<b>Community Services Program</b>			
Regional Centers	\$4,848,508	\$5,141,657	\$293,149
<b>Totals, Community Services</b>	<b>\$4,848,508</b>	<b>\$5,141,657</b>	<b>\$293,149</b>
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
<b>Developmental Centers Program</b>			
Personal Services	\$467,561	\$430,633	-\$36,928
Operating Expense & Equipment	90,132	84,946	-5,186
Staff Benefits Paid Out of Operating Expense & Equipment	0	0	0
<b>Total, Developmental Centers</b>	<b>\$557,693</b>	<b>\$515,579</b>	<b>-\$42,114</b>
General Fund	\$310,131	\$295,127	-\$15,004
Federal Trust Fund	349	285	-64
Lottery Education Fund	367	367	0
Reimbursements	246,846	219,800	-27,046
<b>Headquarters Support</b>			
Personal Services	\$36,290	\$37,163	\$873
Operating Expense & Equipment	6,194	\$6,687	493
<b>Total, Headquarters Support</b>	<b>\$42,484</b>	<b>\$43,850</b>	<b>\$1,366</b>
General Fund	\$27,043	\$28,341	\$1,298
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
<b>Totals, All Programs</b>	<b>\$5,448,685</b>	<b>\$5,701,086</b>	<b>\$252,401</b>
<b>Total Funding</b>			
General Fund	\$3,098,562	\$3,315,379	\$216,817
Federal Trust Fund	70,081	54,699	-15,382
Lottery Education Fund	367	367	0
Dev Disabilities PDF	4,396	4,452	56
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,273,949	2,324,828	50,879
Mental Health Services Fund	1,180	1,211	31
<b>Caseloads</b>			
Developmental Centers	1,117	1,035	-82
Regional Centers	279,453	289,931	10,478
<b>Authorized Positions</b>			
Developmental Centers	4,616.0	4,249.0	-367.0
Headquarters	381.5	388.5	7.0