TRI-COUNTIES REGIONAL CENTER
EXECUTIVE DIRECTOR REPORT
June 7, 2014

I. FY 2014-2015 PROPOSED BUDGET UPDATE

- **Attachment #1:** Department of Developmental Services 2014 – 2015 Governor's May Revision Budget Highlights
- **Attachment #2:** ARCA Analysis of FY 2014 – 2015 Governor's May Revision
- **Attachment #3:** ARCA Position Statement – Governor's May Revision 2014-2015
- **Attachment #4:** CDCAN Report (5/13/14) – Governor's Budget Revisions Keeps Tight Lid on Increased New Spending
- **Attachment #5:** CDCAN Report (6/3/14) – Budget Conference Committee Met Monday Covering Health and Human Services Agenda Items
- **Attachment #6:** Annual State Budget Process Flow Chart

Governor Brown released his May Revise Budget Proposal on May 13, 2014. The Governor's May Revision Proposal is an update to his initial budget proposal released on January 9, 2014 for the budget year that begins July 1, 2014 and ends June 30, 2015. The Governor's May Revision holds a tight lid on any new increases in spending and does not propose any new funding restorations or major funding increases to health and human services programs **(Attachment #1-#4)**.

For Developmental Services, the Governor addressed recommendations made in the Plan for the Future of Developmental Centers in California, issued January 13, 2014. The report recommended that the future role of the state should be the operation of a limited number of smaller, safety-net crisis and residential services. The Governor's May Revise proposal makes available the following to implement the recommendations:

- $13 million re-appropriated from FY 2011-2012 to regional centers to develop additional services for individuals with developmental disabilities with challenging service needs. These additional funds will allow regional centers to partner with DDS and community service providers to develop needed short-term intensive support services.

- $3.2 million proposed to improve acute crisis units at Fairview Developmental Center and establish a new acute crisis unit at Sonoma Developmental Center
- Expand the Community State Staff Program to support individuals moving from developmental centers and enhancing regional center staffing to support community transition, resource development and quality assurance

The Governor's May Revision Proposal also includes a request from DDS to increase its loan authority in order to resolve ongoing cash-flow issues that have forced many regional centers to access lines of credit resulting in paying costly interest expenses.

The Governor's May Revise Budget Proposal has been going through consideration by the Legislature in Budget Subcommittees in the Senate and the Assembly. Both the Senate and the Assembly Budget Subcommittees have agreed to the following:

- Restoration of Early Start services and eligibility to what it was prior to the 2009 budget reductions
- Requiring DDS to conduct a regional center OPS and POS study to look at a cost based reimbursement system and report recommendations to the Legislature by the beginning of 2015
- Rejection of the Governor's overtime restrictions on respite, supported living and IHSS to comply with the new Federal Department of Labor regulations
- Rescind the 7% cut to IHSS hours
- Removal of prohibition for regional centers to pay deductibles for behavioral services

Any discrepancies or otherwise items "left open" will be sent to the joint Budget Conference Committee to be resolved **(Attachment #5)**. The Budget Conference Committee is in the process of meeting to consider the following issues related to developmental services:

- Restoration of 10% rate cut to Supported Employment Programs
- Restoration of MediCal "optional benefits" such as audiology, chiropractic, acupuncture, podiatry, speech services, etc.
- Restoration of a 10% cut to the Medical "Fee for Service" providers
- Elimination of a rate freeze for ICF-DD facilities

The next step in the budget process will most likely be floor votes in the Senate and the Assembly sometime on or before the June 15th constitutional deadline that requires the Legislature to pass a budget and present it to the Governor **(Attachment #6)**. As a result of the passage of Proposition 25 several years ago, the budget can now be approved by a simple majority vote rather than a 2/3 vote. Penalties imposed by Proposition 25 if a State budget is not passed by June 15th would also take effect including permanent loss of pay and travel/living expenses for legislators for each day the budget is delayed.

II. UPDATE ON RECRUITMENT FOR TCRC DIRECTOR OF SERVICES & SUPPORTS

TCRC has begun the process of recruiting for a new Director of Services & Supports to replace Mr. Frank Bush who plans on retiring in August, 2014. We anticipate being able to fill the position in a timely fashion.

Mr. Bush's career in the developmental disabilities services system spans more than four decades starting in 1972 when he began working as a Social Work Associate for the State Department of Mental Hygiene. Since then Mr. Bush has held numerous positions including 16 years as a Service Coordinator, 5 years as a Manager for the San Luis Obispo and Santa Maria offices, and the last 19 years at the TCRC Senior Management level leading the Services & Supports Department. TCRC is very grateful to Mr. Bush for his many years of dedication and commitment to persons with developmental disabilities and their families and congratulates him on a well-deserved retirement. Upcoming opportunities are being planned to formally thank and recognize Mr. Bush for his successful career in the developmental services system.

III. Q&A For Board Members

Attachment #1

Department of Developmental Services

May Revision Highlights

Edmund G. Brown Jr.
Governor
State of California

Diana S. Dooley
Secretary
California Health and Human Services Agency

Santi J. Rogers
Director
Department of Developmental Services

May 2014

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 267,000 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 in 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 four 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 265,216 in the current year to 274,696 in fiscal year (FY) 2014-15. The number of individuals living in state-operated residential facilities is expected to be 1,052 by the end of FY 2014-15.

The 2014 May Revise includes $5.2 billion total funds ($2.9 billion General Fund (GF)) for the Department in FY 2014-15; a net increase of $241.2 million above the updated FY 2013-14 budget, a 4.8 percent increase.

Significant Adjustment for the May Revision:

Transition of the Developmental Center System—The Plan for the Future of Developmental Centers in California, issued January 13, 2014, by the Developmental Centers Task Force recommended that the future role of the State should be to operate a limited number of smaller, safety-net crisis and residential services, continue to serve individuals judicially committed to the state for competency training and provide these individuals transition services as they move back to the community. The Plan also recommended developing new and additional service components, including development of an enhanced community behavioral home and exploring the utilization of developmental center assets to provide health resource centers and community housing through public/private partnerships.

Consistent with the Plan, the May Revision focuses on further developing resources in the community for individuals transitioning from developmental centers, as follows:

- Develop new models of behavioral care in the community, including enhanced behavioral supports homes and community crisis homes.
- Develop additional services and supports in the community using existing models of care, particularly Adult Residential Facilities for Persons with Special Health Care Needs

- Expand the Community State Staff Program to support individuals moving from developmental centers and enhance regional center staffing for resource development and to support community transition and quality assurance.
- Engage stakeholders to examine a workable model for a health resource center to address the health needs of developmental center residents as they transition to community homes.
- Work with stakeholders on potential projects for repurposing developmental center property, particularly, the feasibility of public/private partnerships to develop community housing.
- Also, the May Revision proposes to improve crisis services at Fairview Developmental Center and establish new crisis services at Sonoma Developmental Center.

The May Revision contains a reappropriation of $13.0 million ($12.9 million GF) in Community Placement Plan (CPP) funds for the regional centers, $3.2 million ($2.0 million GF) and 43.1 positions for the developmental centers, and $0.5 million ($0.3 million GF) and 4.0 redirected positions for DDS headquarters to continue the transition of the developmental center system in FY 2014-15.

COMMUNITY SERVICES PROGRAM

FY 2013-14

To provide services and support to 265,216 persons with developmental disabilities in the community, the May Revision updates FY 2013-14 funding to $4.4 billion total funds ($2.5 billion GF). The May Revision includes updated expenditures of $18.5 million total funds ($6.5 million GF) above the FY 2014-15 Governor's Budget, but within the FY 2013-14 Budget Act allocation, for regional center operations (OPS) and purchase of services (POS) to reflect updated caseload and utilization as follows:

- -$1.1 million (-$1.1 million GF) decrease in OPS to reflect updated caseload and expenditure data; and
- $19.6 million ($7.6 million GF) increase in POS to reflect updated caseload, utilization change and expenditure data.

FY 2014-15

The May Revision projects the total community caseload at 274,696, as of January 31, 2015, and assumes an increase of 9,480 consumers over the updated FY 2014-15 Governor's Budget caseload. The May Revision proposes FY 2014-15 funding for services and support to persons with developmental disabilities in the community at $4.7 billion total funds ($2.6 billion GF), an increase of $35.2 million ($12.0 million GF) over the FY 2014-15 Governor's Budget. The regional center budget changes include:

Transition of the Developmental Center System (DCs)

$13.0 million ($12.9 million GF) reappropriation for CPP in OPS and POS to reflect proposals that address recommendations in the Developmental Centers Task Force "*Plan for the Future of Developmental Centers in California*" as follows:

- $1.3 million ($1.2 million GF) reappropriation in OPS to reflect regional center staffing to support community development, transitions and necessary quality assurance and monitoring, and a quality management system for DC residents transitioning into the community; and
- $11.7 million GF reappropriation in POS to develop community resources, including two new models of care for challenging behavioral needs, Adult Residential Facilities for Persons with Special Health Care Needs, and other needed services and supports.

Caseload and Utilization

- -$0.5 million (-$3.3 million GF) decrease in OPS to reflect updated caseload and expenditure data, including additional Home and Community-Based Services Waiver enrollment; and
- $24.2 million ($11.8 million GF) increase in POS to reflect updated caseload, utilization change, and expenditure data.

Other Agency Costs

$1.8 million increase in Early Start, Part C in Other Agency Costs to reflect updated grant award amount.

Minimum Wage Increase

-$3.6 million (-$9.6 million GF) decrease in POS from the FY 2014-15 Governor's Budget for Assembly Bill 10, Chapter 351, Statutes of 2013 which increases the minimum wage from $8.00 to $9.00 effective July 1, 2014 to reflect:

- Increase of $0.9 million (-$8.7 million GF decrease) due to updated expenditures and consumer information used to estimate the impact of minimum wage increase; and
- Exclusion of Supported Employment (Individual and Group) in determining impact to services which rely on employees that are paid minimum wage. The Department in the November 2013 Estimate of the FY 2014-15 Governor's Budget included an estimate of $4.5 million ($0.9 million GF) for the impact of the minimum wage increase for these services.

Federal Overtime Change

$0.3 million ($0.2 million GF) increase in POS to reflect updated expenditures in estimating the impact of changes in the Fair Labor Standards Act (FLSA) due to provider rate increases based on the administrative costs required to comply with the federal regulation, effective January 1, 2015.

DEVELOPMENTAL CENTERS PROGRAM

FY 2013-14

To provide services and support for 1,333 residents in developmental centers (average in-center population) the May Revision updates FY 2013-14 funding to $556.0 million ($305.2 million GF), a decrease of -$20,000 (-$9,000 GF) over the FY 2014-15 Governor's Budget.

To address the Fairview, Porterville and Lanterman DC Program Improvement Plan (PIP), DDS has executed a contract for an Independent Consultative Review Expert (ICRE) to conduct a root cause analysis and establish an Action Plan that will acknowledge improvements already made, as well as the steps still needed to bring Porterville, Fairview and Lanterman DCs back into compliance with the federal certification requirements. The contract amount for FY 2013-14 is $2.1 million ($1.2 million GF), and will be absorbed by DDS via redirection of estimated salary savings as a result of delays in filling 42.5 positions associated with the Sonoma PIP.

FY 2014-15

For FY 2014-15, the May Revision provides services and support for 1,112 residents (average in-center population) in developmental centers, an increase of 2 residents over the FY 2014-15 Governor's Budget. Funding increased to $528.2 million ($276.0 million GF); an increase of $2.2 million ($1.5 million GF). Authorized positions decreased to 4,461.1; a decrease of -3.4 positions below the FY 2014-15 Governor's Budget. By the end of FY 2014-15, 1,052 individuals are expected to reside in state operated facilities. DC costs are also adjusted for Lanterman DC closure activities that will continue after the facility closes. Adjustments to the FY 2014-15 Governor's Budget for the developmental centers include:

Transition Plan for the Developmental Centers

$3.2 million ($2.0 million GF) increase and 43.1 positions to improve crisis services at Fairview DC by modifying an existing stand-alone housing unit, and development of a new acute crisis program at Sonoma DC with an implementation date of January 1, 2015.

Federal Certification for Fairview, Lanterman, and Porterville DCs

$1.5 million ($0.9 million GF) increase for continuing costs into FY 2014-15 related to the ICRE contract for the Porterville, Fairview and Lanterman PIP.

Population Staffing Adjustments (Excluding Lanterman)

Net decrease of -$0.1 million (-$0.07 million GF) and -1.0 position for population staffing adjustments at the DCs; +3.0 for Level of Care (LOC) and -4.0 for Non-Level of Care (NLOC).

Lanterman Closure Activities

Net decrease of -$2.5 million (-$1.4 million GF) and of -45.5 positions for Lanterman closure activities as detailed below.

LANTERMAN DEVELOPMENTAL CENTER CLOSURE UPDATE

The May Revision continues to support Developmental Center and Community Services efforts towards the statutorily required closure of the Lanterman facility on December 31, 2014. The Department, working with regional centers, anticipates the transition of approximately 120 Lanterman DC residents in FY 2013-14. The May Revision anticipates the transition of another 22 residents to community living arrangements in FY 2014-15 with the anticipated resident population being zero on December 31, 2014.

The May Revision reflects a net decrease in FY 2014-15 of -$2.5 million (-$1.4 million GF) and -45.5 positions to reflect the following staffing adjustments:

- -$0.7 million (-$0.4 million GF) decrease and -24.5 NLOC position reduction due to Lanterman DC staffing update and consolidation of an ICF unit;
- -$0.5 million (-$0.3 million GF) decrease and -12.0 NLOC position reduction reflecting previously requested Enhanced Staffing reductions, based upon further review of staffing needed for closure related activities;
- -$1.0 million (-$0.5 million GF) decrease to correct an error in the -40.0 position (25.0 LOC and 15.0 NLOC) reduction of Lanterman DC Enhanced Staff in the November 2013 Developmental Centers Estimate for FY 2014-15, page D - 2.6; and
- -$0.3 million (-$0.2 million GF) and -9.0 position (1.0 LOC and 8.0 NLOC) decrease reflecting reductions of previously requested positions associated with Lanterman DC Closure Plan Update, specifically in the areas of Warm Shutdown, the Primary Care Clinic, the Administrative Closure Team, and Community State Staff.

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

CAPITAL OUTLAY

The May Revision does not include any new Capital Outlay requests.

HEADQUARTERS

FY 2013-14

The May Revision contains no changes for FY 2013-14 Headquarters' operations funding of $39.8 million ($25.3 million GF).

FY 2014-15

The May Revision proposes Headquarters operations funding for FY 2014-15 of $41.1 million ($26.3 million GF), this is an increase of $0.5 million ($0.3 million GF) from the FY 2014-15 Governor's Budget, to fund 4.0 redirected positions to address workload associated with implementation of the recommendations in the Developmental Centers Task Force "*Plan for the Future of Developmental Centers in California*".

DEPARTMENT OF DEVELOPMENTAL SERVICES
2014-15 May Revision

FUNDING SUMMARY
(Dollars in Thousands)

	2013-14	2014-15	Difference
BUDGET SUMMARY			
COMMUNITY SERVICES	$4,404,485	$4,672,017	$267,532
DEVELOPMENTAL CENTERS	555,954	528,168	-27,786
HEADQUARTERS SUPPORT	39,759	41,182	1,423
TOTALS, ALL PROGRAMS	**$5,000,198**	**$5,241,367**	**$241,169**
FUND SOURCES			
General Fund	$2,809,627	$2,948,522	$138,895
Reimbursements: Totals All	2,131,007	2,230,330	99,323
Medicaid (aka HCBS) Waiver	*1,228,013*	*1,310,687*	*82,674*
Medicaid (HCBS) Waiver Administration	*9,610*	*9,948*	*338*
Medicaid Administration (NHR)	*8,823*	*10,490*	*1,667*
Targeted Case Management	*142,648*	*147,312*	*4,664*
Targeted Case Management Admin.	*4,411*	*4,411*	*0*
Medi-Cal	*241,882*	*243,495*	*1,613*
Title XX Block Grant	*214,555*	*214,555*	*0*
ICF-DD/State Plan Amendment	*55,967*	*56,751*	*784*
Quality Assurance Fees (DHCS)	*9,905*	*10,044*	*139*
1915(i) State Plan Amendment	*167,164*	*177,154*	*9,990*
Money Follows the Person	*11,472*	*8,290*	*-3,182*
Homeland Security Grant	*411*	*411*	*0*
Race to the Top	*472*	*341*	*-131*
Early Periodic Screening Diagnostic & Treatment	*20,030*	*20,805*	*775*
Other	*15,644*	*15,636*	*-8*
Federal Trust Fund	51,690	54,656	2,966
Lottery Education Fund	403	403	0
Program Development Fund (PDF)	6,194	6,129	-65
Mental Health Services Fund	1,128	1,177	49
Developmental Disabilities Svs Acct	150	150	0
AVERAGE CASELOAD			
Developmental Centers	1,333	1,112	-221
Regional Centers	265,216	274,696	9,480
AUTHORIZED POSITIONS			
Developmental Centers	4,910.5	4,461.1	-449.4
Headquarters	374.5	381.5	7.0

DEPARTMENT OF DEVELOPMENTAL SERVICES
2014-15 May Revision

(Dollars in Thousands)

	2013-14	2014-15	Difference
Community Services Program			
Regional Centers	$4,404,485	$4,672,017	$267,532
Totals, Community Services	**$4,404,485**	**$4,672,017**	**$267,532**
General Fund	2,479,133	$2,646,253	$167,120
Dev Disabilities PDF	5,908	5,808	-100
Developmental Disabilities Svs Acct	150	150	0
Federal Trust Fund	48,666	51,754	3,088
Reimbursements	1,869,888	1,967,312	97,424
Mental Health Services Fund	740	740	0
Developmental Centers Program			
Personal Services	$474,741	$442,609	-$32,132
Operating Expense & Equipment	47,544	59,882	12,338
Staff Benefits Paid Out of Operating Expense & Equipment	33,669	25,677	-7,992
Total, Developmental Centers	**$555,954**	**$528,168**	**-$27,786**
General Fund	$305,153	$276,008	-$29,145
Federal Trust Fund	499	384	-115
Lottery Education Fund	403	403	0
Reimbursements	249,899	251,373	1,474
Headquarters Support			
Personal Services	$34,873	$36,455	$1,582
Operating Expense & Equipment	4,886	$4,727	-159
Total, Headquarters Support	**$39,759**	**$41,182**	**$1,423**
General Fund	$25,340	$26,261	$921
Federal Trust Fund	2,525	2,518	-7
PDF	286	321	35
Reimbursements	11,220	11,645	425
Mental Health Services Fund	388	437	49
Totals, All Programs	**$5,000,198**	**$5,241,367**	**$241,169**
Total Funding			
General Fund	$2,809,626	$2,948,522	$138,896
Federal Trust Fund	51,690	54,656	2,966
Lottery Education Fund	403	403	0
Dev Disabilities PDF	6,194	6,129	-65
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,131,007	2,230,330	99,323
Mental Health Services Fund	1,128	1,177	49
Caseloads			
Developmental Centers	1,333	1,112	-221
Regional Centers	265,216	274,696	9,480
Authorized Positions			
Developmental Centers	4,910.5	4,461.1	-449.4
Headquarters	374.5	381.5	7.0

ASSOCIATION OF REGIONAL CENTER AGENCIES
ANALYSIS OF THE FY 2014-15 MAY REVISION
MAY 14, 2014

FY 2013-14 (Current Year)

1. CASELOAD

The November Estimate projected the regional center Community Caseload to be 265,709 consumers as of January 31, 2014. The May Revision decreases the January 31, 2014 caseload to 265,216, a decrease of 493 consumers.

2. PURCHASE OF SERVICE - $ 19.6 Million Increase (0.5% Increase)

$ 19.6 million increase to Purchase of Services over the November Estimate due to updated caseload and expenditure data. This results in a total increase of $22.2 million over the enacted budget.

3. OPERATIONS - $1.1 Million Decrease (0.02% Decrease)

A $1.1 million decrease in OPS from the November Estimate due to updated caseload and expenditure data. Overall, this is a $0.6 million net increase in OPS over the enacted budget. The changes include:

- $2.1 million decrease to reflect updated caseload data and correct calculation of Account Clerks:
  - $0.1 million increase in the Core Staffing schedule due increase caseload.
  - $2.2 million decrease in the Core Staffing schedule to correct the number of Account Clerks originally budgeted. Due to electronic billing the ratio of Account Clerks to total consumers in the Core Staffing Formula dropped from 1:600 to 1:800. However, in the May Revision for FY 2013-14 the Accounts Clerks were erroneously calculated at the old 1:600 ratio.
- $2.1 million increase to correct the double counting of savings related to the 2009-10 Early Start Eligibility savings proposal.
- $531,000 increase in case managers to meet HCBS waiver requirements to reflect updated caseload data.
- $206,000 increase to reflect updated costs for various projects.
- $66,000 decrease in the ICF-DD SPA Administrative Fees.

FY 2014-15 (Budget Year)

1. CASELOAD

The May Revision anticipates an increase of 9,480 consumers (a 3.6% increase) over the 265,216 consumers projected for January 31, 2014.

2. PURCHASE OF SERVICE - $248.6 Million Increase Over Current Year (6.5% Increase)

- $125.6 million increase over current fiscal year for caseload and utilization growth.
- $127,000 increase in Quality Assurance Fees for ICF-DDs.
- $3.1 million decrease due to the restoration of Medi-Cal benefits for Enteral Nutrition and some Adult Dental services.
- $106.5 million increase for the minimum wage increase per AB 10. The affected services are community care facilities, day program services, habilitation services, respite services, supported living services, and transportation. (This includes a decrease of $4.5 million for minimum wage increases for supported employment, which was originally included in the November Estimate. Supported Employment has now been excluded from consideration for minimum wage increases.)
- $7.8 million increase to fund the changes in the Fair Labor Standards Act regulations regarding the payment of overtime by service providers that previously were not required to pay overtime.
- $11.7 million increase (reappropriated from FY 2011-12) to develop community resources, including two new models of care for challenging behavioral needs, Adult Residential Facilities for Persons with Special Health Care Needs (ARFPSHN), and other needed services and supports. See attached Future Fiscal Issues, New and Revised Major Assumptions for more details.

3. OPERATIONS – $17.3 Million Increase Over Current Year (3.1% Increase)

- $16.2 million increase in Staffing due to the projected increase in caseload.
- $15,000 increase in case managers to meet HCBS waiver requirements to reflect updated caseload data.
- $445,000 increase in Special Projects for:

- $351,000 increase in the Foster Grandparent Program.
- $90,000 decrease in Sherry S. funds.
- $169,000 increase for the Client's Rights Advocacy contract due to increased caseload numbers.
- $15,000 increase for Direct Support Professional Training

* $865,000 decrease in Lanterman developmental Center Closure to redirect funds to CPP OPS.
* $24,000 increase in the ICF-DD SPA Administrative Fees.
* $136,000 increase for the minimum wage increase per AB 10.
* $1.3 million increase (reappropriated from FY 2011-12) for CPP in OPS to reflect regional center staffing to support community development, transitions and necessary quality assurance and monitoring, and a quality management system for DC residents transitioning into the community. See attached Future Fiscal Issues, New and Revised Major Assumptions for more details.

DDS Loan Authority

DDS is requesting a $135 million increase (a 51.9% increase) to its loan authority for a total of $395 million to ensure sufficient cash available to pay RC claims.

Future Fiscal Issues and New and revised Major Assumptions

See attached for details of these issues.

DDS listed three future fiscal issues which could have an impact on regional center costs. These are:

* Change of Rates for some Intermediate Care Facilities
* Patient Protection and Affordable Care Act – Employer Mandate
* DC Taskforce – Future Services for DC Residents

DDS also listed four items under New Major Assumptions. These are:

* CPP for Implementing DC Task Force Recommendations

- New Models of Care for Challenging Behavioral Needs
- Regional Center Staffing to Support Resource Development, Transition and Quality Assurance
- Quality Assurance for DC Residents Transitioning to the Community

DDS listed the increase in its loan authority as a Revised Major Assumption.

FUTURE FISCAL ISSUES, NEW AND REVISED MAJOR ASSUMPTIONS

Future Fiscal Issues

Change of Rates for Some Intermediate Care Facilities (ICF)

On February 27, 2013, the Centers for Medicare and Medicaid Services (CMS) approved a state plan amendment submitted by the Department of Health Care Services (DHCS), changing the rate setting methodology for ICFs. Applying this new methodology, DHCS estimates that 36 percent of ICFs may be subject to a rate reduction of up to 10 percent, effective May 2014. Stakeholders have expressed concern, both prior to and after CMS' approval that enacting this change would result in some ICFs closing because the providers could not absorb a reduction in rates that have been frozen since 2008. Other residential options (e.g. a different ICF or a regional center funded setting) would be necessary for the individuals residing in any ICFs that decide to no longer offer ICF services. Since ICFs are funded by Medi-Cal, any movement of individuals from an ICF to a regional center funded residential setting will result in increased costs to the Department of Developmental Services (DDS). The number of ICFs that may cease operation and the resulting fiscal impact has not been determined. DDS, in conjunction with DHCS, will continue to monitor the outcome of the application of the new rate setting methodology.

Patient Protection and Affordable Care Act (PPACA) – Employer Mandate

A key reform of the healthcare system included in the PPACA is the requirement that many businesses that do not currently offer insurance to employees make healthcare coverage available or pay a fine to cover the cost of the coverage through the new health exchange. In addition, the health insurance must meet the requirements for a qualified health plan.

Effective January 1, 2015, service providers with 100 or more full time employees will need to provide health insurance that meets the requirements of a qualified healthcare plan or pay a fine. On January 1, 2016, this requirement becomes effective for service providers with 50 to 100 full time employees. While some service providers already provide health insurance for their employees that meet these requirements, provision of this type of coverage is not a DDS mandated cost. Therefore, for those service providers affected by this requirement that do not provide health insurance for their employees, it is likely DDS will receive requests for rate increases if the new requirements result in an increase in costs. These requests could include a rate adjustment for unanticipated costs (permissible for some cost statement based rates such as day programs) or health and safety requests.

Developmental Centers (DC) Task Force: Future Services for DC Residents

Responding to the declining population in the DCs, concerns for meeting the specialized needs of the remaining residents in the future, and the associated operational and fiscal implications, the Secretary of the California Health and Human Services Agency established a "Task Force on the Future of Developmental Centers" (Task Force). The charge of the Task Force was to advise the Administration on the development of a master plan for the future of the DCs that addresses the service needs of all DC residents and ensures the delivery of cost-effective, integrated, quality services for this population. The Task Force focused on individuals who are the most difficult to serve in three primary service categories, recognizing there is significant overlap: individuals with enduring and complex medical needs; individuals with challenging behaviors; and individuals involved in the criminal justice system. It also considered the appropriate role for the State in providing services. The recommendations of the Task Force were published in the "Plan for the Future of Developmental Centers in California" on January 13, 2014.

The Task Force recommended that the future role of the State should be to operate a limited number of smaller, safety-net crisis and residential services. Additionally, the State should continue serving individuals judicially committed to the State for competency training (the Porterville DC—Secure Treatment Program) and providing transition services (the Canyon Springs Community Facility). The Task Force also recommended developing new and additional service components, including development of an enhanced community behavioral home, and exploring utilization of DC assets to provide health resource centers and community housing through public/private partnerships.

DDS is moving forward with the Task Force recommendations as proposed in this May Revision. (See DC Task Force tab for more detail.) However, the various efforts underway and those that require definition and development through additional stakeholder involvement may have cost impacts that will need to be incorporated into future budget cycles. In particular, areas with possible cost implications and/or cost adjustments may include, but are not limited to: new models of care and service components that will be developed through the Community Placement Plan (CPP); DDS and regional center staffing to support CPP resource development including new initiatives, and the certification and monitoring of new or specialty models of care; expert consultants to support or evaluate specialized service development or data collection for risk management; and enhanced monitoring of, and services and supports for DC residents transitioning to the community. While these costs will typically impact DDS programs, they may also affect other State agencies, such as the Department of Social Services (DSS), the DHCS and the Department of General Services.

DDS is committed to providing essential information and cost impacts through each successive budget cycle, and continuing to work with all stakeholders and the Legislature in defining the path for the future of DC residents.

New Major Assumptions

CPP for Implementing DC Task Force Recommendations

Each fiscal year DDS budgets CPP funds for developing resources in the community as an alternative to institutional care, including the development of new and innovative service models. The primary purpose for the funding is to reduce reliance on DCs, certain mental health facilities that are ineligible for federal funding, and out-of-state placements. The CPP is used to fund the development and start-up of residential facilities, day programs and other ancillary services and supports, as well as costs to transition (or deflect) an individual from institutional care into the community. The funds also support the comprehensive assessments of DC residents from which regional centers can estimate future service needs.

The Task Force on the Future of the Developmental Centers recognized the CPP as the primary funding source needed to meet the future needs of DC residents, and that greater community capacity is needed. The Task Force specifically recommended the development of more Adult Residential Facilities for Persons with Special Health Care Needs (ARFPSHN, also referred to as Senate Bill [SB] 962 or SB 853 homes) in the community to serve individuals with enduring medical needs, estimating that approximately 315 DC residents would require this level of care in the future. The Task Force also recommended development of a new enhanced model of behavioral care and new short term crisis homes, as well as other supports, through the CPP process to meet the needs of individuals with challenging behaviors. DDS agrees with these recommendations and proposes trailer bill language for development of new models of behavioral care (see below). Although ARFPSHNs were initially authorized to support the closure of Agnews and Lanterman DCs, existing statutes already provide for the statewide use of this service model. To jump start the development of new and additional capacity within the community, the Department proposes budget bill language authorizing the reappropriation of $13.0 million ($12.9 million GF) from 2011-12.

Based on the regional center proposals DDS has already received and the statewide priorities, the 2014-15 CPP start-up funding is fully committed. Extending the life of the 2011-12 appropriation will provide additional CPP funding that will be prioritized for development of the enhanced behavioral supports homes and the community crisis homes to meet the needs of individuals with challenging behaviors, development of additional community capacity consistent with the Task Force recommendations, and for resources to support community development, transitions and quality assurance activities.

Reappropriation of Prior Fiscal Year 2011-12

Amend Budget Bill Language in January Budget Bill
Note: Existing Language in the Budget Bill with Strikeouts to delete Item 3

4300-490 - Reappropriation, Department of Developmental Services. Notwithstanding any other provisions of law, the following period to liquidate encumbrances of the following citations are each extended to June 30, 2015:
0001-General Fund
(1) Item 4300-101-0001, Budget Act of 2009 (Ch. 1, 2009-10 3rd Ex. Sess., as revised by Ch. 1, 2009-10th Ex. Sess.), as partially reverted by Item 4300-495, Budget Act of 2010 (Ch. 712, Stats. 2010), as reappropriated by Item 4300-490,

Budget Act of 2012 (Chs. 21 and 29, Stats. 2012) and Budget Act of 2013 (Ch. 20, Stats. 2013)

(2) Item 4300-101-001, Budget Act of 2010 (Ch. 712, Stats. 2010), as reappropriated by Item 4300-490, Budget Act of 2012 (Chs. 21 and 29, Stats. 2012), and Budget Act of 2013 (Ch. 20, Stats. 2013)

~~(3) Item 4300-101-0001, Budget Act of 2011 (Ch. 33, Stats. 2011)~~

Note: Proposed Budget Bill Language for Reappropriation of 2011-12 for CPP activities
4300-491—Reappropriation, Department of Developmental Services.
Notwithstanding any other provision of law, Item 4300-101-0001, Budget Act of 2011 (Ch. 33, Stats. 2011) is available for liquidation of encumbrances through June 30, 2015. The unencumbered balance of $13,048,000 is reappropriated for the purposes provided for in the appropriation and shall be available for encumbrance or expenditure until June 30, 2015, and for liquidation through June 30, 2017.

PURCHASE OF SERVICES

New Models of Care for Challenging Behavioral Needs: $11.7 million ($11.7 million GF)

In the "Plan for the Future of Developmental Centers in California" published January 13, 2014, the Task Force on the Future of Developmental Centers focused on the needs of DC residents with significantly complex and challenging behaviors, and analyzed the services currently available for this population. The Task Force concluded that the community system of behavioral and psychiatric services is the one area in most need of further development. It recognized a need for increased mental health services generally, short-term crisis and acute crisis stabilization facilities, transition facilities, and the importance of a "placement of last resort." The Task Force specifically recommended that a new enhanced model of community care be developed to provide a higher level of behavioral supports in a small setting, preferably utilizing a flexible approach to services that can quickly address changes in an individual's needs and avoid having to move the individual to another facility. Although intended to provide a long-term residential option, the model could also serve as a transitional home.

It is recommended that trailer bill language authorize DDS to develop enhanced behavioral supports homes as a pilot using CPP funds, including the authority to promulgate emergency regulations, to meet the immediate needs of the DC residents who could be successfully served in the community. Working closely with the regional centers, the goal would be to develop no more than six pilot homes each fiscal year with a capacity for each home to serve no more than four consumers. The homes would be distributed regionally to test the service parameters and ensure that elements of the program can be generalized and adapted.

The Task Force also recommended that, using CPP funding, short-term crisis homes be created to serve individuals with challenging behaviors who are in crisis. To implement this recommendation, trailer bill language is also proposed that provides DDS authority to develop community crisis homes, one in Northern and one in Southern California, each with a capacity to serve no more than eight consumers. These facilities are needed to provide immediate access to short-term crisis stabilization services. The same stakeholder process will define and oversee the progression of both the enhanced behavioral supports homes and the community crisis homes.

DDS is proposing $11.7 million in funds reappropriated from 2011-12 for CPP, as discussed above, be prioritized for the development of these new models of care and additional community capacity, consistent with the Task Force recommendations.

OPERATIONS

Regional Center Staffing to Support Resource Development, Transitions and Quality Assurance: $1.2 million ($1.1 million GF)

To ensure the quality of transition supports and community services for DC residents moving into community homes and provide necessary quality assurance and monitoring, DDS is proposing 18.4 regional center positions and $1.2 million funded from CPP for the following critical functions:

Quality Assurance Staff: $380,000 ($380,000 GF)

DDS is proposing six regional center positions (eight months' funding in 2014-15) funded from CPP to ensure the healthy and safe transition of individuals leaving DCs to reside in the community. Individuals moving from DCs to the community are among the most vulnerable of California's citizens with developmental disabilities. Many of them have resided in a DC most of their lives. Residing in the community will be a significant life event filled with many new changes and challenges. The transition alone can be traumatic and the adjustment to community life takes time as individuals become familiar with their new living environment and the surrounding community, learn to work with new staff, make new friends, and explore activity and employment options during the day.

Regional centers have developed and continue to develop residential homes to accommodate individuals transitioning from a DC with very significant medical and/or behavioral needs. The success of DC residents transitioning to these new settings is not only contingent upon the quality of the services they receive, but the quality assurance monitoring that regional centers must provide to ensure health and safety. Quality assurance functions include, but are not limited to monitoring the new living arrangement to ensure it is meeting the consumer's unique needs, following up on and helping to resolve quality of care issues, utilizing risk management and system monitoring data toward positive outcomes, and providing technical assistance and training for regional center and service provider staff.

Resource Developer Staff: $190,000 ($190,000 GF)

DDS is proposing to provide CPP funding for two new residential models to be developed by regional centers beginning in 2014-15. The homes will meet the needs of individuals with complex behavioral needs transitioning from DCs to the community, or at risk of admission to a DC. DDS is proposing two larger homes of no more than eight beds, one each for Northern and Southern California; and no more than six smaller homes located throughout the State that will accommodate no more than four individuals each. The larger homes will serve individuals in acute crisis at risk of admission to a DC, whereas the smaller homes will serve as a "step-down" and long-term residential option. The homes will be owned by a non-profit organization (NPO) and leased by a service provider.

DDS is proposing CPP funding for two regional center resource developer staff for full year funding to assist regional centers with the development of these homes as expeditiously as possible. The resource developers will be responsible for overall project management and communicating with involved parties. The resource developers will work with the NPOs to search for and acquire properties, assist with the design of the homes, assist with budget development and monitoring to ensure the projects stay on budget, monitor the progress of the projects to ensure timelines are met, work with all parties to resolve issues as they arise, and facilitate development through final licensure and occupancy. The success of these projects is contingent upon adequate staffing to manage their development.

Board Certified Behavioral Analyst Staff (BCBA): $160,000 ($160,000 GF)

DDS is proposing to provide CPP funding for two BCBA staff to be employed by regional centers to oversee the development and ongoing operation of the enhanced models of behavioral care, which consist of six enhanced behavioral supports homes and two community crisis homes. These homes are necessary for meeting the needs of individuals with very complex behavioral challenges who currently reside in a DC or are at risk of admission to a DC or other institutional setting ineligible for Federal Financial Participation. The homes will employ highly specialized staff and serve individuals at risk of injuring themselves, injuring others, property destruction and/or elopement.

Regional centers are the placing and primary oversight agency and will need staff well-trained to work with individuals with developmental disabilities using non-aversive behavior modification techniques. The staff will help design the homes, including the physical layout and program designs, and will be responsible for ongoing oversight and monitoring of each individual's unique treatment plan. The treatment goals and plans for each individual will need to be modified frequently to respond to changing needs, and the regional center BCBA staff will provide the necessary oversight to ensure the service provider's staff is properly responding to each individual's unique needs, as well as crises that arise.

Nurses to Support Complex Medical Needs: $153,000 ($153,000 GF)

Approximately 415 individuals currently residing in a DC have complex and enduring medical needs. When these individuals transition to the community, they will need highly specialized residential services such as those provided by an Adult Residential Facility for Persons with Special Health Care Needs (ARFPSHN) or possibly an Intermediate Care Facility for the Developmentally Disabled - Nursing (ICF-DDN). These residential models are heavily staffed by licensed clinical staff, including Registered Nurses (RN) and Licensed Vocational Nurses to treat, monitor and respond timely to each individual's unique health needs. Likewise, regional centers, as the primary oversight agency of the ARFPSHNs, must employ highly skilled nursing staff to monitor the services provided in these homes, and provide increased clinical case management for individuals residing in both types of homes.

In 2013-14 and 2014-15, regional centers plan to develop 10 new ARFPSHNs and four new ICF-DDN facilities. DDS is proposing to employ the services of two regional center RNs statewide that will be responsible for assisting in the development of the homes and the ongoing oversight and monitoring of the care provided to the individuals who transition into the homes. DDS has learned through past experience that the success of caring for individuals with complex and enduring medical needs in these settings requires intense involvement and clinical oversight by regional center nursing staff. Therefore, these positions are necessary for the successful transition of individuals residing in DCs with significant medical needs.

<u>Enhanced Caseload Ratio of 1:45 for Two Years: $344,000 ($254,000 GF)</u>

DDS is proposing one regional center case manager for every 45 individuals who move from a DC for an additional year, or a total of 6.4 positions. Current statute and funding dictate that regional centers maintain an average of 1:45 case manager to consumer ratio for the first year that an individual resides in the community. After the first year, the ongoing caseload ratio becomes 1:62. However, as one of the enhancements for individuals transitioning from Agnews and Lanterman DCs to the community, regional centers provide(d) a 1:45 caseload ratio for an additional year.

The case manager is the primary regional center staff focused on the consumer and how well the consumer's needs and personal choices are being met. The case manager is responsible for coordination of services and monitoring the health, safety and quality of services for the consumer as defined by the Individual Program Plan and as required by laws, regulations and service provider agreements.

Individuals moving out of DCs today have high acuity levels and other indicators of complex needs. They also face very unique changes and challenges in their lives as they transition from a DC to the community. The smaller caseload ratio allows regional center staff to provide the more intensive case management services needed to ensure health, safety and successful community living. Without the increased funding and associated case management, an individual's longevity residing in the community is at risk for some of the most vulnerable individuals with developmental disabilities served by regional centers.

Quality Assurance for DC Residents Transitioning to the Community: $0.1 million ($0.1 million GF)

DDS is proposing additional Regional Center Operations, Projects funding of $121,000 one time, and $76,000 ongoing, funded from CPP be dedicated to a quality management system for DC residents transitioning into the community. DDS will revise statewide contracts with the DDS risk management consultant and for the National Core Indicators surveys to address quality assurance enhancements that will support improved outcomes for consumers.

DDS has actively administered a Quality Management System for more than a decade, based on the Centers for Medicare and Medicaid Services' Quality Framework. The central goal is "doing the right thing" for the people served by the system. Quality management starts with establishing clear expectations of performance (design), collecting and analyzing data to determine if the expectations are being met (discovery), and finally, taking steps to correct deficiencies or improve processes and services (remediation and improvement). Over time, DDS has moved steadily toward a more integrated, value-based quality management and improvement system that produces desired consumer outcomes.

One important aspect of the system has been to ensure that individuals transitioning from a DC into the community do so safely and successfully. Quality services and supports in the community remain a concern for DC residents and their families. During recent processes for Agnews and Lanterman DC closures, consumers, families and other stakeholders were very interested and involved in defining data collection and reviewing performance data from transition experiences. These data are essential for understanding performance, observing trends and identifying issues, and then addressing issues to prevent potential harm.

Based on this prior stakeholder involvement, DDS has identified several components that will enhance the Quality Management System's risk management capabilities, which are proposed as part of this May Revision. These components will enable monitoring and assessment of the services provided to DC movers year over year. DDS will revise the contract with the DDS risk management consultant to evaluate overall indicators of performance (such as changes in residential settings, changes in the Client Development Evaluation Report, and Special Incident Report (SIR) rates); analyze SIR data with the goal of identifying subpopulations with greater risk for specific SIR types, and individuals at risk of additional SIRs; and perform statewide reviews of abuse, neglect and mortality SIRs to ensure that proper reporting, investigation, and risk prevention and mitigation occur. Additionally, DDS will expand the National Core Indicators satisfaction survey of individuals and families to increase the sample size for persons who have transitioned from a DC. These data will help identify areas for improvement in transition and community services.

Revised Major Assumption

Loan Authority

The Department proposes revised budget bill language to increase GF loan authority from the current $260 million to $395 million. The proposed language also clarifies that the Department may have one or more loans outstanding; to better meet cash flow needs of the system across the open years for liquidation, but total loan authority may not exceed $395 million. The Department requires the loan authority due to the timing of the collection of reimbursements. The current loan authority is not sufficient to maintain regular payments to the regional centers. The request for amended budget language is not an increase in expenditure authority, but allows DDS to maintain adequate cash supply in the system. With the increased loan authority the Department will be better able to provide consistent payments throughout the fiscal year to regional centers and vendors for services provided.

Prior to the major GF reduction proposals in 2009-10, DDS budgeted $1.5 billion in reimbursements for regional centers. In 2014-15, DDS has proposed $1.9 billion in reimbursements for regional centers, an increase of $408 million or 26.5 percent in reimbursements. The increases in reimbursements are due to expanded coverage and added consumers in existing reimbursements such as the Home and Community-Based Services Waiver, Targeted Case Management, and Title XX Block Grant, and added new sources of reimbursement such as the Intermediate Care Facility State Plan Amendment (SPA), 1915(i) SPA, Money Follows the Person, Early Periodic Screening Diagnosis and Treatment, and others. Budgeted reimbursement sources do not allow DDS advance payment of reimbursement so expenditures must be paid by the Department prior to submission of invoices to the DHCS or the DSS. This means that DDS must pay for regional center costs from the budgeted GF and the reimbursements as they are collected. DDS has worked to minimize the lag in collecting reimbursements, but even with those processes in place, there is not sufficient cash on hand to provide regional centers with sufficient operational cash throughout the fiscal year. For the last several years, regional centers have relied, to varying degrees, on lines of credit when they have been available to continue operations in the last quarter of each fiscal year. The regional centers' cost of borrowing is not a budgeted cost in the Regional Center Operations budget. Regional Centers are statutorily required to provide families and vendors with 30 days' notice if they do not have sufficient cash on hand to pay for services. These notices cause undue alarm to consumers, families and vendors. Without this proposed increase in loan authority, DDS will continue to struggle to maintain a 30-day cash supply for all regional centers.

Proposed Revision to Existing Provisional Language:
4300-101-0001
(2) A loan *or loans* shall be made available from the General Fund to the State Department of Developmental Services not to exceed a cumulative total of ~~$260,000,000~~ *$395,000,000.* The loan funds shall be transferred to this Item as needed to meet cash flow needs due to delays in collecting reimbursements from the Health Care Deposit Fund ~~and~~

~~are subject to the repayment provisions of Section 16351 of the Government Code~~. *All moneys so transferred shall be repaid as soon as sufficient reimbursements have been collected to meet immediate cash needs and in installments as reimbursements accumulate if the loan is outstanding for more than one year.*

Attachment #3

ARCA ASSOCIATION OF REGIONAL CENTER AGENCIES
915 L Street, Suite 1440, Sacramento, California 95814 • 916.446.7961 • Fax: 916.446.6912 • www.arcanet.org

May 15, 2015

Honorable Shirley Weber
Chair, Assembly Budget - Subcommittee #1
P.O. Box 942849, Room 3126
Sacramento, CA 94249-0079

Honorable Ellen Corbett
Chair, Senate Budget & Fiscal Review - Subcommittee #3
State Capitol, Room 313
Sacramento, CA 95814

RE: Department of Developmental Services – Governor's 2014-15 May Revision

Dear Assembly Member Weber and Senator Corbett:

The Association of Regional Center Agencies (ARCA) represents the nonprofit regional centers that serve over 265,000 Californian children and adults with developmental disabilities. We appreciate the opportunity to provide our comments on the Governor's 2014-15 May Revision for the Department of Developmental Services (DDS). Following are ARCA's positions on issues raised in the May Revision as well as reiterations of our positions on Early Start and overall system sustainability that were previously communicated to your respective committees.

ARCA Response to May Revision

Community Placement Plan (CPP) for Implementing DC Task Force Recommendations
ARCA supports the proposal to reappropriate $13 million from FY 2011-12 to regional centers to develop additional services for individuals with challenging service needs. These additional funds will allow regional centers to partner with DDS and community service providers to develop needed short-term intensive support services.

Acute Crisis Units at Sonoma and Fairview Developmental Center
Admission to community-based services is timelier than entrance into developmental centers, but these resources require significant time to develop. ARCA proposes that a permanent acute crisis facility be provided to Northern California residents by a vendored service provider, even if initially this service must be provided on the grounds of Sonoma Developmental Center for the sake of timeliness.

Expand the Community State Staff Program to Supplement Community Services
ARCA recognizes the dedication of many developmental center employees to supporting individuals with developmental disabilities. In light of this, ARCA supports the expansion of the Community State Staff program to allow staff interested in aiding the community transition of former developmental center residents to do so.

Loan Authority
ARCA supports and appreciates the request on the part of the Department of Developmental Services to increase its loan authority in order to resolve cash-flow issues, including costly interest expenses associated with borrowing money, which regional centers face. Increased reliance on federal funding sources has exacerbated this problem in recent years, and ARCA supports this proposal as a common-sense approach to resolve this concern.

Invest in Early Intervention

In 2009 eligibility criteria for California's Early Start program was tightened in order to achieve short-term fiscal savings. Since that time, thousands of young children have gone without needed therapeutic services. As intervention is most effective when provided at the youngest age possible, restoring eligibility to these infants and toddlers represents an essential investment in the future of our children. Notably, each dollar spent on early intervention saves $6-13 in future costs. Additional information about the differences that these critical services make in the lives of young children and their families can be found at www.renewearlystart.net. DDS has reported to the Legislature that the total cost of restoring Early Start eligibility and services is approximately $22 million.

Invest in System Sustainability

ARCA remains concerned that years of budget cuts totally in excess of $1 billion have left the community-based service system at its breaking point. Funding for the system has not kept pace with inflation, leaving providers and regional centers alike facing financial shortfalls that threaten the availability of quality of services and supports for individuals living in community-based settings. As California moves away from institutional models of care, it is essential that the community-based system is sustainable, which is an outcome that can only be achieved through the commitment of additional financial resources. In the short-term, ARCA along with the Lanterman Coalition support a 5% annual rate and operations augmentations until each is transitioned to a cost-based funding model as a long-term solution. The estimated General Fund impact of this request is approximately $160 million.

Invest in Community Supports

Services provided under the Lanterman Act allow individuals to live in natural settings of their choice. Over 70% of Californians with developmental disabilities are supported in their family home, many with the assistance of In-Home Supportive Services (IHSS). This service allows families to maintain individuals at home at a significant cost savings to the state. The proposal to limit each IHSS worker's hours to forty per week will threaten the ability of families, many of whom are single mothers living in poverty, to maintain individuals with developmental disabilities in the family home.

The majority of Californians with developmental disabilities rely on Medi-Cal for routine and specialty medical care that is critical to maintain community stability. Low Medi-Cal rates have historically made access to medical care a challenge. With the scheduled implementation of a 10% rate cut to most providers at the same time that Medi-Cal rolls are expanding, ARCA is concerned that access to needed medical services will become increasingly difficult to secure, particularly for individuals with the most complex medical needs. Areas of particular concern include rate reductions for dental services, durable medical equipment, and Intermediate Care Facilities for the Developmentally Disabled.

With the passage of the Lanterman Act in 1969 California made a promise to support individuals to live in integrated community settings. In order to keep this commitment, it is imperative that the state adequately invest in the infrastructure to support all individuals with developmental disabilities in community-based settings.

Sincerely,
/s/
Eileen Richey
Executive Director

Cc: Members, Assembly Budget Subcommittee #1
Nicole Vazquez, Consultant, Assembly Budget Subcommittee #1
Myesha Jackson, Chief Consultant, Assembly Human Services Committee
Julie Souliere, Assembly Republican Fiscal Office
Gail Gronert, Consultant, Office of the Speaker

Mary Bellamy, Consultant on Human Services, Assembly Republican Caucus
Members, Senate Budget & Fiscal Review Subcommittee #3
Peggy Collins, Consultant, Senate Budget and Fiscal Review Subcommittee #3
Mareva Brown, Chief Consultant, Senate Human Services Committee
Kirk Feely, Health Consultant, Senate Republican Fiscal Office
Chantele Denny, Human Services Consultant, Senate Republican Fiscal Office
Marjorie Swartz, President Pro Tempore's Consultant, Health
Jackie Wong, President Pro Tempore's Consultant, Human Services
Joe Parra, Principal Consultant on Human Services, Senate Republican Caucus
Shawn Martin, Legislative Analyst's Office
Rashi Kesarwani, Legislative Analyst's Office
Carla Castaneda, Department of Finance
Lawana Welch, Department of Finance
Santi Rogers, Department of Developmental Services
Lark Park, Governor's Advisor, Health and Human Services

Attachment #4

Omar Noorzad - CDCAN REPORT - GOVERNOR'S BUDGET REVISIONS

From: Marty Omoto - CDCAN (CA Disability Community Action Network) <martyomoto@rcip.com>
To: <onoorzad@tri-counties.org>
Date: 5/13/2014 11:55 AM
Subject: CDCAN REPORT - GOVERNOR'S BUDGET REVISIONS

CDCAN Disability and Senior Rights Report: BREAKING NEWS: GOVERNOR'S PROPOSED BUDGET REVISIONS KEEP TIGHT LID ON INCREASED NEW SPENDING - CONF CALL BRIEFING ON BUDGET BY SECRETARY DOOLEY AT 2 PM

CDCAN DISABILITY RIGHTS REPORT
CALIFORNIA DISABILITY COMMUNITY ACTION NETWORK
MAY 13, 2014 - TUESDAY

Advocacy Without Borders: One Community – Accountability With Action

CDCAN Reports go out to over 65,000 people with disabilities, mental health needs, seniors, people with traumatic brain and other injuries, people with MS, Alzheimer's and other disorders, veterans with disabilities and mental health needs, families, workers, community organizations, facilities and advocacy groups including those in the Asian/Pacific Islander, Latino, American Indian, Indian, African-American communities; policymakers, and others across the State.

Sign up for these free reports by going to the CDCAN website. Website: www.cdcan.us

To reply to THIS Report write:

Marty Omoto at martyomoto@rcip.com Twitter: martyomoto

Office Line: 916-418-4745 CDCAN Cell Phone: 916-757-9549

BREAKING NEWS:

GOVERNOR PROPOSED BUDGET REVISIONS KEEPS TIGHT LID ON INCREASED NEW SPENDING

*** No New Proposals to Restore Health and Human Service Programs Including Early Start*

*** No Changes Proposed to Governor's January IHSS Federal Over-Time Proposals That Cap IHSS Worker Hours to 40 Hours Per Week*

*** Public Stakeholder Conference Call Briefing on Budget Revisions By CA Health & Human Services Agency Secretary Dooley at 2 PM Today*

SACRAMENTO, CA (CDCAN) [Last updated – 05/13/2014 – 09:05 AM] – Governor Edmund G. Brown

Jr. released his proposed revisions to his 2014-2014 State Budget proposal this morning that holds a tight lid on any new increases in state spending. The proposed spending plan for the State budget year that begins July 1, 2014 and ends June 30, 2015, does not propose any new funding restorations or major funding increases to health and human service programs, except for those originally proposed in his budget plan that he released in January.

The Governor also did not propose any changes to his controversial proposal made as part of his budget plan released in January that would cap In-Home Supportive Service (IHSS) worker hours to 40 hours a week to comply with the new federal over-time regulations that go into effect January 1, 2015. Democrats in both the Assembly and State Senate are likely to push back and revise his proposal however in the coming weeks as the budget process moves forward.

The Governor did not propose new restorations of major health and human service programs beyond what he proposed in January. The Governor did not propose any restorations of eligibility to the State's early intervention program -- called "Early Start" that provides critical interventions to infants and toddlers with developmental delays.

THE PLAN FOR THE FUTURE OF DEVELOPMENTAL CENTERS

- The Governor addressed recommendations made in the the Plan for the Future of Developmental Centers in California, issued January 13, 2014, that recommended that the future role of the state should be the operation of a limited number of smaller, safety--net crisis and residential services.
- The Plan also recommended continuing to serve individuals judicially committed to the state for competency training and to provide these individuals transition services as they move back to the community.
- That Plan in January also recommended developing new and additional service components, including development of an enhanced community behavioral home model and providing health resource centers and community housing through public/private partnerships.
- The Governor this morning, proposes developing resources in the community for individuals transitioning from developmental centers, as follows:
- Developing a pilot program for a new enhanced behavioral support home model in the community. The Governor's May Revision contains $13 million in reappropriated Community Placement Plan funds for this purpose.
- Improving crisis services at Fairview Developmental Center and establishing new crisis services at Sonoma Developmental Center. The Governor's May Revision proposes $3.2 million ($2 million in State General Fund) and 43.1 positions to serve individuals in the community with developmental disabilities who need short--term stabilization.
- Proposed expansion of the Community State Staff Program to support individuals moving from developmental centers and enhancing regional center staffing to support community transition, resource development, and quality assurance.
- The Governor's May Revision contains $458,000 ($321,000 General Fund) and four redirected positions for the Department of Developmental Services to evaluate developmental services community placement funds.

NEXT STEPS

- Governor's proposed revisions to his budget plan that he released in January – and that original budget plan itself – still requires final approval of the Assembly and State Senate.
- Both houses budget subcommittee have held a series of budget subcommittee hearings between March and early May, holding "open" – meaning taking no action – on nearly all of the Governor's major proposals, including those impacting In-Home Supportive Services, Medi-Cal, developmental services, CalWORKS and other health and human services, education and other areas of the budget.
- Both Assembly and State Senate budget subcommittees have scheduled final budget subcommittee hearings later this week and next to review and (for new or changed proposals by the Governor) take additional public testimony, and take action on those major "open" items. Both subcommittees can and will likely advance new proposals that either replace, be in addition to or change the Governor's proposed 2014-2015 State Budget plan.
- From there the budget plan will be given tentative approval by the full budget committees in both houses before the budget package is sent to budget conference committee where different actions taken by the Assembly and State Senate are taken up and if possible, resolved. No public testimony is taken at any of the budget conference committee hearings.
- At this point the Governor and the legislative leaders in both houses – primarily the Democratic leaders – will meet and work out compromises in areas in the budget where there is disagreement.
- Before the end of June, both houses will pass a budget plan for 2014-2015 and send the package of bills to the Governor.

HEALTH & HUMAN SERVICES PUBLIC STAKEHOLDER CONFERENCE CALL BRIEFING ON GOVERNOR'S BUDGET PLAN TODAY AT 2:00 PM

- California Health and Human Services Secretary Diana Dooley and various department directors, including the Department of Health Care Services (which oversees the State's Medi-Cal program), the Department of Developmental Services and the Department of Social Services (which oversees statewide several human service programs including In-Home Supportive Services) will convene a public stakeholder conference call to discuss and answer questions on the Governor's proposed budget revisions released today.
- Call is scheduled for today (Tuesday, May 13) at 2:00 PM
- Conference Call Information:
  WHEN: Tuesday, May 13, 2014
  TIME: 2:00 PM Pacific Time (see note below)
  CALL-IN PHONE NUMBER: (800) 857-2847
  PASSCODE PHRASE: CHHS Budget
  NOTE: The conference call organizers advise people to join the call 10 minutes prior to the 2:00 PM scheduled start time (so 1:50 PM) to register with the operator and be placed into conference.

PLEASE HELP!!!!!!

May 13, 2014 - Tuesday

PLEASE HELP CDCAN CONTINUE ITS WORK

CDCAN Townhall Telemeetings, CDCAN Reports and Alerts and other activities cannot continue without YOUR help. To continue the CDCAN website and the CDCAN Reports and Alerts sent out and read by over 65,000 people and organizations, policy makers and media across the State, and to continue and resume CDCAN Townhall Telemeetings, trainings and other events, please send your contribution/donation (please make check payable to "CDCAN" or "California Disability Community Action Network" and mail to:

CDCAN – NEW MAILING ADDRESS:
1500 West El Camino Avenue Suite 499
Sacramento, CA 95833
[replaces 1225 8th Street Suite 480, Sacramento, CA 95814]
Office Line: 916-418-4745 CDCAN Cell Phone: 916-757-9549 (replaced 916-212-0237)

Many, many thanks to all the organizations and individuals for their continued support that make these reports and other CDCAN efforts possible!

Our mailing address is:
Marty Omoto - martyomoto@rcip.com

Attachment #5

Omar Noorzad - CDCAN REPORT (JUN 3 2014) BUDGET CONFERENCE COMMITTEE MET MONDAY - HELD "OPEN" NEARLY ALL ITEMS - MEETS NEXT ON WED

From: Marty Omoto - CDCAN (CA Disability Community Action Network) <martyomoto@rcip.com>
To: <onoorzad@tri-counties.org>
Date: 6/3/2014 9:17 AM
Subject: CDCAN REPORT (JUN 3 2014) BUDGET CONFERENCE COMMITTEE MET MONDAY - HELD "OPEN" NEARLY ALL ITEMS - MEETS NEXT ON WED

CDCAN Disability and Senior Rights Report: Budget Conference Committee Holds First Meeting Monday - Nearly All Items Kept "Open" - Meets Next On Wednesday

CDCAN DISABILITY RIGHTS REPORT
CALIFORNIA DISABILITY COMMUNITY ACTION NETWORK
JUNE 3, 2014 - TUESDAY MORNING ELECTION DAY
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State Budget Update
BUDGET CONFERENCE COMMITTEE MET MONDAY COVERING HEALTH AND HUMAN SERVICES AGENDA ITEMS

- *Will Meet Next On Wednesday But Not Before 11 AM For First Run Through On Remaining 5 Agendas Including Education*
- *Nearly All Items Including Those Impacting SSI/SSP State Cost of Living Adjustment Restoration, Medi-Cal Rates and Certain "Optional Benefits" Restorations, Supported Employment Rates Kept "Open" For Later Discussion and Action*

SACRAMENTO, CA (CDCAN -- LAST UPDATED 06/03/2014 08:00 AM) - The Budget Conference Committee met for the first time late Monday afternoon for about 3 hours, making a first pass covering the two agendas dealing with human services and health budget items and, as expected, holding "open" for further review and action nearly all of those items. No public comments are taken during these hearings.

With several conference committee members raising concerns about the impact of cuts of previous budget years, it is clear a major fight on proposed spending increases is brewing largely between Democrats in the Legislature and the Brown Administration as negotiations begin also outside the conference committee between the Governor and Democratic legislative leaders with the State constitutional deadline of June 15th to pass a budget drawing near.

The Budget Conference Committee will meet next on Wednesday, June 4th, though not before 11:00 AM, according to Assemblymember Nancy Skinner (Democrat – Berkeley), who chairs the committee to make a first run through of the other remaining five agendas covering K-12 Education; Higher Education, Cap and Trade, Resources and Transportation; Public Safety, State Administration and General Government. Skinner however did not indicate at the end of the hearing the order of which agenda the committee will hear first on Wednesday. The Budget Conference Committee currently has a schedule to meet through June 9th before sending a revised spending plan to the floors of both houses for final votes before the June 15th State Constitutional deadline to pass a budget.

BOTH HOUSES DIFFER IN SEVERAL KEY SPENDING RESTORATIONS – WHILE GOVERNOR OPPOSES NEARLY ALL PROPOSED SPENDING INCREASES

- While there are significant differences in many proposed restorations and new spending proposed by both the State Senate and Assembly, both houses differ significantly with the spending proposed by the Governor Edmund G. "Jerry" Brown, Jr.
- The Governor proposed in January with revisions in May a proposed 2014-2015 State spending plan of $107.766 billion with almost no restorations of previously cut programs and services. The State Senate instead made major changes to the Governor's plan, proposing $109.985 billion in State general fund spending. The Assembly also made major changes to the Governor's proposed budget, coming up last week with $110.824 billion in State general fund spending.
- Both houses came to the Budget Conference Committee agreeing last week on several proposed spending increases and restorations covering Early Start eligibility, In-Home Supportive Services (IHSS) including rejection of the Governor's proposed cap on IHSS worker hours to comply with new federal overtime regulations and restoration in October of the scheduled 7% across-the-board cut in IHSS recipient hours set to go into effect July 1st, funding restorations for Disabled Student Services, but differed significantly in several other key proposed spending restorations.
- None of those restorations and spending increases, even though both houses agreed, are safe because all spending increases and restorations have been largely opposed by the Brown Administration, citing concerns of on-going State revenues and growth in spending in key budget areas, including Medi-Cal.
- Those issues – and the issues currently on the Budget Conference Committee agendas - will be the subject of budget negotiations between the Governor and Democratic legislative leaders, with some of the outcomes of those negotiations emerging as the conference committee approves or rejects agenda items in the coming days.
- In addition it is not fully clear how much the concerns regarding spending increases by Republican legislative leaders will come into play or influence the Governor, who needed Republican votes in the State Senate in late May to pass his new "rainy day" fund measure that will be placed on the November 2014 ballot for voter approval. (Republican votes were needed in the Senate because Democrats lost their "super majority" with the suspension of three Democratic state senators due to court convictions or indictments.)

SOME OF SPENDING INCREASES AND RESTORATIONS ON COMMITTEE AGENDA HEARD – ALL KEPT "OPEN" FOR LATER ACTION

Among the several key spending restorations and proposed increases to the Governor's proposed 2014-2015 State Budget plan heard by the committee yesterday but kept "open" for further review and later action in the coming days covered several issues ranging from CalWORKS (the State's "welfare to work" program), Community Care Licensing annual inspections and also included these items (CDCAN will issue report later today covering all proposed restorations and spending increases in and outside the Budget Conference Committee agenda):

MEDI-CAL "OPTIONAL BENEFITS"

- These are called "optional benefits" because the federal government does not require the states to provide those benefits as part of their required Medicaid funded services and benefits (called "Medi-Cal" in California).
- The State Senate last week approved a proposal for the restoration of certain Medi-Cal "optional benefits" for adults that were eliminated in 2009 covering acupuncture, audiology, chiropractic, incontinence cream and washes, optician/optical lab, podiatry, and speech therapy, effective July 1, 2014. Cost to restore these benefits are estimated at $27 7 million ($12.8 million of that in State general funds) for the first year.Last June the 2013-2014 State Budget included restoration of the Medi-Cal dental "optional benefit" for adults, effective May 2014, that was eliminated in 2009
- The Assembly took no similar action last week and the Governor made no similar proposal in his budget plan
- This item was kept "open" by the conference committee on Monday

SSI/SSP AND CAPI GRANTS

- The Assembly last week proposed restoration of the cost of living adjustment (COLA) for the State portion of the SSI/SSP (the federal Supplemental Security Income/State Supplemental Payment grants), and the State funded grants in the Cash Assistance Program for Immigrants (CAPI), effective April 1, 2015, that would cost $14 79 million in State general funds
- The Senate approved no similar proposal last week, and the Governor made no similar proposal in his budget plan
- In previous budget years, the cost of living adjustment for the state portion of the SSI/SSP grants was eliminated. The federal cost of living adjustment to the SSI part of the grant however has been passed through to SSI/SSP recipients for the past two years and will continue to be passed through because the State grant portion was reduced to the lowest amount allowed by the federal government (the State used to reduce the State grant level by the same amount of the federal cost of living in previous years which it cannot do any longer unless the State grant level is increased)
- This item was held "open" by the Budget Conference Committee on Monday

MEDI-CAL "FEE-FOR-SERVICE" PROVIDERS

- Both houses last week approved proposed restoration of the 10% rate reduction for most fee-for-service Medi-Cal providers under AB 97, but in different ways
- The Senate proposal would restore the 10% cut to all Medi-Cal providers, except pharmacies, on a prospective basis (meaning from the effective date forward) beginning July 1 2014 and added $12 million in State general funds to be used for additional exemptions to payment reductions if needed
- The Assembly last week proposed forgiving all retroactive payment reductions effective July 1 2014 (with a cost of $32

million in State general funds), and eliminating prospectively the 10% rate reduction for all Medi-Cal "fee-for-service" providers beginning April 1, 2015, for a cost of $69 million in State general funds for the 2014-2015 State Budget year and $274 million in State general funds in following budget years

- The Governor's plan proposed forgiving retroactive payment cuts to certain Medi-Cal providers but would maintain the rate reduction for those providers.
- This item was held "open" by the conference committee on Monday.

FOSTER CARE

- Assembly approved last week a proposal approved for $30 million in State general funds to increase grant payments for "non-federally eligible" foster youth who reside with relative caregivers
- The Senate approved no similar action and no similar proposal was included in the Governor's spending plan
- This item was held "open" by the conference committee on Monday.

ICF-DD PROVIDERS

- The Assembly last week approved the elimination of the rate freeze for Intermediate Care Facilities for the Developmentally Disabled (ICF-DD) effective April 1, 2015, with a cost estimate of $8.2 million in State general funds for those remaining months of the 2014-2015 State Budget year, and $33.1 million in State general funds in full budget years after that.
- The State Senate took no similar action last week, and no similar proposal was included in the Governor's proposed budget plan
- This item was held "open" by the conference committee on Monday.

APPLIED BEHAVIOR ANALYSIS SERVICES

- Last week the State Senate approved a proposal to add ABA (Applied Behavior Analysis) services to Medi-Cal managed care for children ineligible for regional center funded services under California's Lanterman Developmental Disabilities Services Act, and to convene a stakeholder workgroup to implement the new benefit and develop utilization controls to limit expenditures. The cost is estimated at $100 million ($50 million of that in State general funds).
- The Assembly approved no similar action last week, and no similar proposal was in the Governor's budget plan
- This item was held "open" by the conference committee on Monday.

CAREGIVER RESOURCE CENTERS

- The Assembly approved last week a proposal to add $2.9 million in State general funds for Caregiver Resource Centers (in the Department of Health Care Services budget)
- The State Senate approved no similar action, and no similar proposal was in the Governor's proposed spending plan
- This item was held "open" by the conference committee on Monday.

SUPPORTED EMPLOYMENT PROGRAMS

- Both houses approved last week the restoration of funding on the impact of the increase in the State minimum wage for supported employment program serving people with developmental disabilities that the Governor originally proposed in January but eliminated in his May budget revisions.The cost to restore that funding for the minimum wage impact is $4 5 million ($3 5 million of that in State general funds)
- In addition, the Assembly proposed last week an additional increase to eliminate the 2008 10% rate reduction to that program, that would cost $8.6 million ($5.9 million of that in State general funds)
- The Senate did not take any action regarding elimination of the rate reduction, and the Governor's budget plan made no similar proposal.
- The budget items related to supported employment were held "open" by the conference committee on Monday

SENIORS SERVICES (AGING) RESTORATIONS

- Assembly approved last week several funding increases and restorations, once funded under the Older Californians Act covering Long Term Care Ombudsman (an increase of $3.8 million in State general funds), Brown Bag Program (increase of $600,000 in State general funds), Respite Purchase of Services (increase of $350,000 in State general funds); and Senior Companion Program (increase of $350,000 in State general funds).
- The State Senate approved no similar proposal and no similar proposal was included in the Governor's budget plan
- This item was held "open" by the conference committee on Monday.

PACE PROGRAMS

- Assembly last week approved proposal to adjust rates paid to PACE (Programs for All-Inclusive Care for the Elderly) providers from 90% of the upper payment limit to 95%, effective April 1, 2015 The cost is estimated at $1 8 million in State general funds for the remaining months of the 2014-2015 State Budget year and $7 3 million in State general funds for full budget years after that.
- The State Senate approved no similar proposal, and no similar proposal was included in the Governor's plan
- This item was held "open" by the conference committee on Monday

MEDI-CAL MANDATORY EXPANSION

- Governor proposed in May an increase of $513 million in State general funds as a result of updated caseload projections and updated cost estimates related to expansion of Medi-Cal for people now eligible under the federal Affordable Care Act mandatory expansion The expansion also required simplifying of eligibility and enrollment rules and increased program awareness and outreach for people not yet enrolled in Medi-Cal but who were eligible under the previous eligibility rules.
- The State Senate approved last week a proposal to reduce the Governor s budget estimate for that expansion by $300 million in State general funds.
- The Assembly approved last week a proposal also reducing the expansion costs in the Governor's plan, by $342 million
- This issue while not impacting directly current levels of services in Medi-Cal, is significant because the budget savings resulting in the actions by both houses to reduce the Governor's projected costs for the expansion of Medi-Cal is needed to

pay for several funding restorations for other services and programs.

- This item was held "open" by the conference committee on Monday

WHY THE JUNE 15TH BUDGET DEADLINE IS SIGNIFICANT

- The June 15th deadline for the Legislature to pass a state budget – a deadline in the State Constitution that prior to November 2010 was almost always ignored without penalty by the Legislature – holds major significance now.
- Voters in November 2010 approved 55-45% Proposition 25 that changed the legislative vote requirement necessary to pass the state budget and budget related bills (often referred to as "budget trailer" bills because they follow or trail the main budget bill) from two-thirds (54 votes in the Assembly and 27 votes in the State Senate) to a simple majority (41 votes in the Assembly and 21 votes in the State Senate).
- But a key provision in Proposition 25 – now a part of the State Constitution, provides that if the Legislature fails to pass a budget bill by June 15th, all members of the Legislature will permanently forfeit any salary and reimbursement for expenses for every day until the day the Legislature passes a budget bill.
- There are no penalties for a governor in Proposition 25 to sign a budget by a certain deadline – though major ramifications exist if there is no spending plan enacted after a certain point in time simply because the State would run out of cash and authority to spend money as happened in previous years.
- It should be noted that the June 15th State Constitutional deadline is only for the Legislature to send a budget to the Governor – not that the Governor has to sign it by that day also.
- In addition, if the Governor vetoes that spending plan, forcing the Legislature to send another proposed budget bill after the June 15th deadline – something that happened in 2011 - the penalties don't apply, though that issue has not been fully tested in court.

BUDGET CONFERENCE COMMITTEE MEMBERS

The Budget Conference Committee, a special joint committee, is composed of 4 members (3 Democrats and 1 Republican) each from the Assembly and State Senate. This year the members of the conference committee are:

SENATE DEMOCRATS (3): *Sen. Loni Hancock (Democrat – Berkeley, 9th State Senate District), Sen. Ricardo Lara (Democrat – Bell Gardens, 33rd State Senate District), and Sen. Mark Leno (Democrat – San Francisco, 11th State Senate)*

SENATE REPUBLICAN (1): *Sen. Jim Nielsen (Republican –Gerber, 4th State Senate District)*

ASSEMBLY DEMOCRATS (3): *Assemblymember Richard Bloom (Democrat – Santa Monica, 50th Assembly District) Assemblymember Nancy Skinner (Democrat – Berkeley, 15th Assembly District), and Assemblymember Shirley Weber (Democrat – San Diego, 79th Assembly District)*

ASSEMBLY REPUBLICAN (1): *Assemblymember Jeff Gorrell (Republican – Camarillo, 44th Assembly District)*

ALERT: PLEASE HELP!!!!!!

June 2, 2014 (Marty Omoto pictured left)

PLEASE HELP CDCAN CONTINUE ITS WORK

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Many, many thanks to all the organizations and individuals for their continued support that make these reports and other CDCAN efforts possible!

Our mailing address is:
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Attachment #6

THE ANNUAL BUDGET PROCESS

Departments review expenditure plans and annually prepare baseline budgets to maintain existing level of services; they may prepare Budget Change Proposals (BCPs) to change levels of service.

Department of Finance (Finance) analyzes the baseline budget and BCPs, focusing on the fiscal impact of the proposals and consistency with the policy priorities/direction of the Governor. Finance estimates revenues and prepares a balanced expenditure plan for the Governor's approval. The Governor's Budget is released to the Legislature by January 10th of each year.

Governor issues State of the State Address setting forth policy goals for the upcoming fiscal year. Two identical Budget Bills are submitted (one in the Assembly and one in the Senate) for independent consideration by each house.

Public input to Governor, legislative members and subcommittees.

Finance and departments testify before budget subcommittees on the proposed budget. DOF updates revenues and expenditures with Finance Letters and May Revision.

As non-partisan analysts, **the Legislative Analyst's Office (LAO)** prepares an "Analysis of the Budget Bill" and "Perspectives and Issues". Testifies before the budget subcommittees on the proposed budget.

Public input to Governor, legislative members and subcommittees.

Assembly Budget Committee - divided into several subcommittees to review (approve, revise, or disapprove) specific details of the budget. Majority vote required for passage.

Senate Budget and Fiscal Review - divided into several subcommittees to review (approve, revise, or disapprove) specific details of the budget. Majority vote required for passage.

Assembly Floor examines committee report on budget attempting to get 2/3 vote for passage. The Budget usually moves to conference committee.

Senate Floor examines committee report on budget attempting to get 2/3 vote for passage. The Budget usually moves to conference committee.

Budget Conference Committee attempts to work out differences between Assembly & Senate versions of the Budget - also amending the budget to attempt to get a 2/3 vote from each house.

Assembly Floor reviews conference report and attempts to reach 2/3 agreement. If no agreement is reached in conference or on floor, the BIG 5 gets involved.

Senate Floor reviews conference report and attempts to reach 2/3 agreement. If no agreement is reached in conference or on floor, the BIG 5 gets involved.

Sometimes, the BIG 5 (Governor, Speaker of Assembly, Speaker pro Tempore, and Minority Leaders of both houses) meet and compromise to get the 2/3 vote required in each house.

Final budget package with 2/3 vote in each House submitted to the Governor for signature. Governor may reduce or eliminate any appropriation through the line-item veto. The budget package also includes trailer bills necessary to authorize and/or implement various program or revenue changes.

Individual departments and the **Finance** administer, manage change, and exercise oversight of the Budget on an ongoing basis. **The Joint Legislative Budget Committee (JLBC)** provides some coordination between the two houses and oversees the LAO. The JLBC is involved in the ongoing administration of the Budget and reviews various requests for changes to the Budget, after enactment.