EXECUTIVE DIRECTOR REPORT

May 2, 2014

I. FY 2014-2015 BUDGET UPDATE

- **Attachment #1:** FY 2014-2015 Governor's Budget Highlights for Department of Developmental Services
- **Attachment #2:** ARCA Analysis of FY 2014-2015 Governor's Budget Proposal
- **Attachment #3:** Annual Budget Process Flow Chart
- **Attachment #4:** ARCA Early Start Advocacy Letter to Governor Brown
- **Attachment #5:** Lanterman Coalition Letter on the California Budget and Keeping the Promise to Californians with Developmental Disabilities
- **Attachment #6:** Wesley Chesboro Letter to Members of the Legislature on the Developmental Services Budget
- **Attachment #7:** Advocacy Letters Developed by TCRC to Governor Brown and the Legislature

Governor Brown issued his official annual State Budget Proposal on January 9, 2014. After almost a decade of ongoing reductions, the Governor's FY 2014-2015 State Budget Proposal, for a second consecutive year, does not call for any new reductions to the Developmental Services budget. While the Governor's proposed budget is a status quo budget compared to current FY 2013-2014, it provides a $110.1 million increase in funding for the minimum wage increase per AB 10 that affects community care facilities, day program services, habilitation services, respite services, supported living services and transportation. The Governor's Budget also provides an additional $7.5 million increase to fund the changes in the Fair Labor Standards Act regulations regarding the payment of overtime by service providers who were previously not required to pay overtime. Given the number of persons served by the regional center system is expected to grow to 273,643 persons, an increase of 7,934 persons over current FY 2013-2014, the Governor's budget provides $121.1 million increase for caseload and utilization growth.

In total, the regional center Purchase of Service (POS) budget is provided with a $235.6 million increase (6.2% increase) over current FY 2013-2014 budget and the regional center Operations budget (OPS) is provided with a $15.4 million increase over current FY 2013-2014 budget (2.7% increase). **(Attachments #1-#2).**

The first series of Budget hearings by the Legislature on the developmental services system were held on March 19 for the Assembly Budget Subcommittee No. 1 on Health and Human Services and on March 27 for the Senate Budget and Fiscal Review Subcommittee No.3 **(Attachment #3).** ARCA represented the regional centers at these hearings and advocated for restoration of some regional center services for which funding has been significantly reduced or eliminated during the past several years. No actions were taken by either of these two sub-committees. Additional hearings will be held after the release of the Governor's May Revise scheduled to occur around the middle of May.

ARCA has placed particular focus on advocacy to restore Early Start services in FY 2014-2015 by holding an Early Start awareness event in Southern California and Early Start Capitol Briefing Day in Sacramento **(Attachment #4)**. ARCA has also been advocating for restoring some of the numerous reductions that have occurred over the past several years to the regional center OPS budget. ARCA has developed two reports, one on the regional center POS budget entitled "Inadequate Rates for Service Provision in California" and the other on the regional center OPS budget entitled " Funding the Work of California's Regional Centers" that is being used in budget discussions this legislative session. Both of these documents can be accessed on the TCRC website (www.tri-counties.org) under "Budget Watch".

The Lanterman Coalition comprised of two dozen or more statewide associations within the Developmental Services system has been able to reach a historic agreement on budget priorities to advocate with the Legislature and the Governor as outlined in the Lanterman Coalition document **(Attachment #5)**. This agreement, in part, encouraged Assemblymember Wesley Chesbro (D – North Coast), a longtime supporter of the Developmental Services System, to distribute a letter to members of the Legislature encouraging them to commit to making the Developmental Services budget a priority **(Attachment #6)**. Advocates are being encouraged to request the support of their local representatives by asking them to sign on to the Chesbro letter.

TCRC has also developed several advocacy letters that can be signed and faxed or mailed to the Governor and the Legislature **(Attachment #7)**. These letters are also available electronically on the TCRC website, (www.tri-counties.org), under "Budget Watch". This section of the TCRC website also contains other current information and resources related to the budget process.

The next step in the budget process is the release of the Governor's May Revise Budget Proposal which is scheduled to take place around the middle of May.

II. LEGISLATION

- **Attachment #8:** SB 367 (Block): Regional Center Board of Directors Cultural and Linguistic Competency

SB 367 (Block) has amended Section 4622 of the Lanterman Act pertaining to regional center governing boards to require training for board members on issues relating to linguistic and cultural competency, post these trainings on the regional center website and require regional center board of directors to annually review the performance of the regional center in providing services that are linguistically and culturally appropriate. The ARCA Training and Information Group is in the process of developing an on-line module that can be used by regional centers for this purpose. **(Attachment #8).**

III. THE WAY FORWARD UPDATE

The Southern California Conference of Regional Center Directors (SCCRCD) have initiated a dialogue among member Regional Center Executive Directors, Board Presidents and Association of Regional Center Agencies (ARCA) Board delegates on the future direction of the community based developmental disabilities service system. Several Northern California regional centers have also joined the SCCRCD with this effort.

Numerous external forces including chronic and recurring budget reductions have imposed dozens of new changes through Trailer Bills since 2009 impacting every provision of service offered by regional centers. As the gap between expectations and financial support widens accompanied with continued "tinkering" with the system, it appears that the community based services system may be on the wrong path not only unable to effectively address budgetary challenges, but may also result in a system that is unable to carry out its mission of meeting the needs of persons with developmental disabilities and their families as outlined in the Lanterman Act. Regional centers must be willing to take risks, hear the critics, and be open to change and innovation while all stakeholders must recognize the limitations on public funds and the implications of these limitations on provision of services.

In an attempt to respond proactively and more strategically to these pressures, the SCCRCD has conducted surveys, held numerous focus groups with persons with developmental disabilities, done interviews with experts nationwide and also held an invite only conference consisting of state and nationally recognized speakers which took place in Southern California on April 3-4, 2014. Information gathered through these means may be used to develop a set of recommendations in the form of a "white paper" to guide the system into the future. The SSCRCD may also request that ARCA carry the effort forward in the future.

IV. Q&A

Attachment #1

Department of Developmental Services

Governor's Budget Highlights

Edmund G. Brown Jr.
Governor
State of California

Diana S. Dooley
Secretary
California Health and Human Services Agency

Mark Hutchinson
Chief Deputy Director
Department of Developmental Services

January 2014

DEPARTMENT OF DEVELOPMENTAL SERVICES
GOVERNOR'S BUDGET HIGHLIGHTS

PROGRAM HIGHLIGHTS

The Department of Developmental Services (the Department) is currently responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that approximately 267,042 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 265,709 in the current year to 273,643 in Fiscal Year (FY) 2014-15. The number of individuals living in state-operated residential facilities will is expected to be 1,049.

The January 2014 Governor's Budget includes $5.2 billion total funds ($2.9 billion GF) for the Department in 2014-15; a net increase of $221.8 million above the updated 2013-14 budget, a 4.5 percent increase.

COMMUNITY SERVICES PROGRAM

2013-14

To provide services and support to 265,709 persons with developmental disabilities in the community, the Governor's Budget updates FY 2013-14 funding to $4.4 billion total funds ($2.5 billion GF). The Governor's Budget includes an increase of $4.5 million total funds (-$6.3 million GF decrease) for regional center operations (OPS) and purchase of services (POS). This is composed of:

Caseload and Utilization

$2.4 million increase (-$8.4 million GF decrease) in regional center OPS and POS costs to reflect caseload and utilization due to updated popoulation and expenditure data including Home and Community Based Services (HCBS) waiver enrollment above budgeted levels.

Regional Center Operations Adjustment

$2.1 million increase GF in OPS to reflect an adjustment to correct the double counting of savings related to the 2009-10 Early Start Eligibility savings proposal.

2014-15

The Governor's Budget projects the total community caseload at 273,643, as of January 31, 2015, and assumes an increase of 7,934 consumers over the updated 2013-14 caseload. The estimate proposes 2014-15 funding for services and support to persons with developmental disabilities in the community at $4.6 billion total funds ($2.6 billion GF), an increase of $255.3 million ($155.3 million GF) over the enacted 2013-14 budget. The regional center budget changes include:

Caseload and Utilization

$138.6 million increase ($82.9 million GF) in regional center OPS and POS to reflect caseload and utilization due to updated population and expenditure data including HCBS Waiver enrollment above budgeted levels.

Regional Center Operations Adjustment

$2.1 million increase GF in OPS to reflect an adjustment to correct the double counting of savings related to the 2009-10 Early Start Eligibility savings proposal.

Impacts from Other Departments

-$3.1 million GF decrease in POS to reflect the Department of Health Care Services restoration of Enteral Nutrition and partial restoration of Adult Dental Services as a Medi-Cal Optional Benefit.

Minimum Wage Increase

Assembly Bill (AB) 10, Chapter 351, Statutes of 2013 which increases the minimum wage from $8.00 to $9.00 effective July 1, 2014:

- $0.1 million ($0.1 million GF) increase in OPS due to the minimum wage increase will impact positions in regional center Core Staffing that are budgeted at salary levels that are below $9.00; and
- $110.1 million ($69.3 million GF) increase in POS applies to services which rely on employees that are paid minimum wage.

Federal Overtime Change

$7.5 million ($4.0 million GF) increase in POS to reflect the impact of regulatory changes in the United States Department of Labor Fair Labor Standards to include overtime compensation for service providers that previously were not required to pay overtime effective, January 1, 2015.

DEVELOPMENTAL CENTERS PROGRAM

2013-14

To provide services and support for 1,333 residents in developmental centers (average in-center population) the Governor's Budget updates FY 2013-14 funding to $556.0 million ($305.2 million GF), an increase of $13.0 million ($7.5 million GF) over the FY 2013-14 enacted budget. Authorized positions net increase is 106.5. The developmental center budget changes include:

Employee Compensation Changes and Statewide Fleet Reduction

Net increase of $6.4 million ($4.0 million GF) due to employee compensation increases approved through the collective bargaining process, changes in retirement contribution rates, and savings from Executive Order B-2-11 Fleet Reduction.

Sonoma DC Program Improvement Plan

$7.2 million ($3.9 million GF) and 118.5 position increase for partial year cost for additional staff, training, overtime for training, vehicles and opening an additional Intermediate Care Facility Unit at Sonoma DC to support implementation of the facility's Program Improvement Plan (PIP) with the California Department of Public Health and Federal Centers for Medicare and Medicaid Services.

Lanterman DC Reduction for Decline in Land Use

-$0.5 million (-$0.3 million GF) and -12 position reduction primarily from the decline in land use and square footage at Lanterman DC in preparation for closure December 31, 2014.

Reduction in the Lottery Education Funds

-$62,000 decrease due to a reduction in the Lottery Education Funds.

2014-15

For FY 2014-15, the Governor's Budget provides services and support for 1,110 residents (average in-center population) in developmental centers, a decrease of 223 residents (including all residents from Lanterman DC with a closure date of December 31, 2014) from the 2013-14 enacted budget. Funding decreased to $526.0 million ($275.0 million GF); a decrease of -$16.9 million (-$23.1 million GF). Authorized positions decreased to 4,464.5; a decrease of 339.5 positions below the enacted budget. By the end of the budget year, there is expected to be 1,049 individuals residing in the state operated facilities. DC costs are also adjusted for Lanterman DC closure activities that will continue after closure. Adjustments to the enacted budget for the developmental centers include:

Employee Compensation Changes and Statewide Fleet Reduction

Net increase of $6.9 million ($4.3 million GF) due to employee compensation increases approved through the collective bargaining process, changes in retirement contribution rates, and savings from Executive Order B-2-11 Fleet Reduction.

Sonoma DC Program Improvement Plan

$9.2 million ($5.1 GF) and 118.5 position increase for continuing costs into 2014-15 at Sonoma DC for the PIP to ensure the facility is in compliance with federal and state licensing and certification requirements.

DC Population Decrease Staffing Adjustments (Excluding Lanterman)

-$12.8 million (-$7.2 GF) decrease for population staffing adjustments at the DCs for Level of Care (LOC) 114.0 and Non-Level of Care (NLOC) 55.0 (excluding Lanterman DC).

Lease Revenue Debt Service Adjustment

$2.8 million ($2.8 GF) increase due to Control Section 4.30 for an adjustment to the Lease Revenue Debt Service.

Restoration of Federal Reimbursements at Sonoma DC

$15.7 million funding shift from general fund to reimbursement to eliminate the GF backfill in 2013-14 for the four Sonoma ICF units withdrawn from the Medicaid Provider Agreement to ensure continued federal funding for the remaining six ICF units.

Reduction in the Lottery Education Funds

-$62,000 decrease due to a reduction in the Lottery Education Funds.

Foster Grandparents Program Funding Transfer

-$0.3 million (-$0.2 GF) decrease to transfer funding from Foster Grandparents Program to Community Services.

Lanterman Closure Activities

Net decrease of -$22.7 million (-$12.0 GF) for Lanterman closure activities as detailed below.

LANTERMAN DEVELOPMENTAL CENTER CLOSURE UPDATE

The Governor's Budget continues to support Developmental Center and Community efforts towards 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 Governor's Budget 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, with the closure of the facility.

The Governor's Budget reflects a net decrease in 2014-15 of -$22.7 million (-$12.0 million GF) for position reductions due to the Lanterman DC closure, staff separation costs, enhanced staffing adjustments, and post-closure activities. The reduced funding is the net of the following adjustments:

- -$33.7 million (-$18.5 GF) decrease and -317.0 position reduction with the anticipated residential population being zero on December 31, 2014;
- $11.8 million ($6.4 GF) increase to support numerous activities with the closure of the facility and separation of staff;
- -$2.3 million (-$1.2 GF) and -40.0 positions reduction of Enhanced Staff that are no longer needed for closure related activities beginning July 1, 2014;
- -$2.0 million (-$1.1 GF) reduction of half year funding for the remaining 48.0 Enhanced Staff Positions to support costs during the closure period of July 1, 2014 through December 31, 2014; and
- $3.5 ($2.4 GF) and 68.0 position increase for post-closure related activities. This funding is for the period from January 1, 2014 through June 30, 2014.

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

SPECIAL REPAIRS

The Budget provides $100 million in a statewide item to various state agencies to address critical infrastructure deferred maintenance needs. Of this amount $10 million will be allocated to the Department for critical deferred maintenance projects at the DCs.

CAPITAL OUTLAY

The 2014-15 Governor's Budget does not include any new Capital Outlay requests.

HEADQUARTERS

2013-14

The Governor's Budget for FY 2013-14 updates funding for Headquarters' operations to $40.0 million ($25.3 million GF), an increase of $0.48 million ($0.33 million GF) compared to the FY 2013-14 enacted budget. The Headquarters budget increase is due to employee compensation increases approved through the collective bargaining process and changes in retirement contribution rates.

2014-15

The Governor's Budget proposes Headquarters operations funding for FY 2014-15 of $40.7 million ($25.9 million GF), an increase of $1.4 million ($.9 million GF) compared to the FY 2013-14 enacted budget. The Headquarters budget increase is composed of the following:

- $.5 million ($.3 GF) increase due to employee compensation increases approved through the collective bargaining process and changes in retirement contribution rates.

- $0.9 million ($0.6 GF) increase due to the *Vendor Audit Positions* Budget Change Proposal (BCP) that requests 7.0 limited-term auditor positions to assist with the increased demand for vendor audits and the associated recovery of funds from reduced vendor fraud, waste, and abuse.

- Conversion of 1.0 limited-term Career Executive Assignment, Assistant Deputy Director position to 1.0 permanent full-time in the Office of Federal Programs and Fiscal Support, Community Services Division, at no additional costs.

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ASSOCIATION OF REGIONAL CENTER AGENCIES ANALYSIS OF THE FY 2014-15 NOVEMBER ESTIMATE (GOVERNOR'S BUDGET) JANUARY 10, 2014

FY 2013-14 (Current Year)

1. CASELOAD

The FY 2013-14 May Revision estimated the regional center Community Caseload to be 265,097 consumers for January 31, 2014. The November Estimate increases the January 31, 2014 caseload to 265,709, an increase of 612 consumers (a 0.2% increase).

2. PURCHASE OF SERVICE - $ 2.6 million Increase (0.07% Increase)

$ 2.6 million increase to Purchase of Services due to updated caseload and expenditure data.

3. OPERATIONS - $1.7 Million Increase (0.6% Increase)

- $1.0 million decrease to reflect updated caseload data and correct calculation of Account Clerks:
  - $1.2 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.

- $508,000 increase in case managers to meet HCBS waiver requirements to reflect updated caseload data.

- $140,000 increase to reflect updated costs for various projects.

FY 2014-15 (Budget Year)

1. CASELOAD

The budget anticipates an increase of 7,934 consumers (a 3.0% increase) over the 265,709 consumers projected for January 31, 2014.

2. PURCHASE OF SERVICE - $235.6 Million Increase (6.2% Increase)

- $121.1 million increase over current fiscal year for caseload and utilization growth.
- $3.1 million decrease due to the restoration of Medi-Cal benefits for Enteral Nutrition and some Adult Dental services.
- $110.1 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.
- $7.5 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.

3. OPERATIONS – $15.4 Million Increase Over Current Year (2.7% Increase)

- $14.7 million increase in Staffing due to the projected increase in caseload.
- $17,000 increase in case managers to meet HCBS waiver requirements to reflect updated caseload data.
- $343,000 increase in the Foster Grandparent Program.
- $160,000 increase in Special Projects for the Client's Rights Advocacy contract due to increased caseload numbers.
- $136,000 increase for the minimum wage increase per AB 10.

Future Fiscal Issues

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

1. Change of Rates for Some ICFs

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 Intermediate Care Facilities (ICFs). Applying this new methodology, DHCS estimates that 36% of ICFs may be subject to a rate reduction of up to 10%, retroactive to August 1, 2012. 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.

2. 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 50 or more full time employees will need to provide health insurance that meets the requirements of a qualified healthcare plan or pay a fine. 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.

ASSOCIATION OF REGIONAL CENTER AGENCIES
ANALYSIS OF NOVEMBER ESTIMATE FOR FISCAL YEAR 2014-15
JANUARY 12, 2014

PURCHASE OF SERVICE BUDGET

	Purchase of Service	Quality Assurance Fees	Total POS
FY 2013-14 Enacted Budget	**$3,790,330,000**	**$9,424,000**	**$3,799,754,000**
Update of Caseload, Utilization, and Expenditure Data	$2,553,000		$2,553,000
Updated FY 2013-14 Budget	**$3,792,883,000**	**$9,424,000**	**$3,802,307,000**
Update of Caseload, Utilization, and Expenditure Data	$121,146,000	$0	$121,146,000
Restoration of Medi-Cal Benefits for Enteral Nutrition and Some Adult Dental Services	($3,133,000)		($3,133,000)
AB 10 Minimum Wage Increase	$110,054,000		$110,054,000
Federal Labor regulations Change	$7,500,000		$7,500,000
Proposed FY 2014-15 Budget	**$4,028,450,000**	**$9,424,000**	**$4,037,874,000**

REGIONAL CENTER OPERATIONS BUDGET

	Operations	ICF-DD Administrative Fees	Total Operations
FY 2013-14 Enacted Budget	**$560,314,000**	**$1,745,000**	**$562,059,000**
Caseload and Expenditure Update	($403,000)		($403,000)
Adjustment to FY 2009-10 Savings from Early Start Eligibility Savings Proposal to Eliminate Double Counting of Certain Savings	$2,145,000		$2,145,000
Updated FY 2013-14 Budget	**$562,056,000**	**$1,745,000**	**$563,801,000**
Caseload and Expenditure Update	$15,246,000		$15,246,000
AB 10 Minimum Wage Increase	$136,000		$136,000
Proposed FY 2014-15 Budget	**$577,438,000**	**$1,745,000**	**$579,183,000**

Attachment #3

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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.

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ARCA ASSOCIATION OF REGIONAL CENTER AGENCIES
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Honorable Jerry Brown, Governor, State of California
State Capitol, Suite 1173
Sacramento, CA 95814

RE: Early Start Funding

Honorable Governor Brown:

The California Legislature must act now to ensure that all children at-risk of developmental disabilities receive access to the services they need to thrive. Now is the time to Renew Early Start and make the program whole.

In 2009 California's Legislature tightened eligibility criteria for the Early Start program, which provides critical early intervention for California's infants and toddlers who have a heightened risk of a developmental disability. This change eliminated funding for developmental and therapeutic services for several groups of infants and toddlers, including:

- Infants and toddlers at-risk, due to factors such as extremely premature births or prenatal drug exposure;
- Infants and toddlers at risk because they have a parent with a developmental disability; and,
- Toddlers referred for services at two years of age with considerable delays not significant enough to meet the new, stringent criteria, many who are later diagnosed with Autism Spectrum Disorder.

Babies and toddlers who receive these needed services have the best developmental outcomes. Studies prove that at-risk children who receive early intervention services need fewer services in the future with less cost to the state. In addition, these children have a greater chance at success. Early intervention for all infants and toddlers at-risk for developmental disabilities is a wise investment for the future of children, their families, and for California.

The Association of Regional Center Agencies, the twenty-one nonprofit regional centers it represents, and the organizations listed below urge you to act now to ensure that the Early Start program is again made whole.

Sincerely,

Eileen Richey
Executive Director

Supporting Organizations:

211 LA County

Abilities United

Autism Society Inland Empire

Autism Society of California

Autism Society of Santa Barbara

California Association of Health Facilities

California Disability Services Association

California Respite Association

California Supported Living Network

County Alcohol & Drug Program Administrators Association of California

DG Therapy Group, Inc.

Disability Rights California

Easter Seals California

Educate. Advocate.

Family Resource Center Network of California

Family Voices of California

First 5 Yolo Children and Families Commission

Foothill Family Service

Glenn County Sheriff Larry Jones

Infant Development Association of California

Infant Family Services Program

Life Steps Foundation Children and Family Services

Mothers of Children with Autism and Aspergers

Noah Homes

Patient and Family Centered Care Partners

Scribbles and Giggles

SenseAbilities

Service Employees International Union

SPIRITT Family Services

State Council on Developmental Disabilities

Stepping Stones Pediatric Therapy

Subacute Saratoga

The Alliance

The Arc California

The California Association for Parent-Child Advocacy

United Cerebral Palsy California Collaboration

Yolo County Children's Alliance

ZERO TO THREE

Cc: Members, Senate Budget & Fiscal Review Subcommittee #3
Members, Assembly Budget & Fiscal Review Subcommittee #1
Members, Senate Human Services Committee
Members, Assembly Human Services Committee
Senator Darrell Steinberg, Senate President Pro Tempore
Assembly Member John A. Pérez, Speaker of the Assembly
Senator Holly Mitchell
Peggy Collins, Principal Consultant, Joint Legislative Budget Committee
Kirk Feely, Senate Republican Fiscal Office
Chantele Denny, Consultant, Senate Republican Caucus
Nicole Vasquez, Consultant, Assembly Budget Subcommittee #1
Julie Souliere, Assembly Republican Fiscal Office
Mareva Brown, Chief Consultant, Senate Human Services Committee
Joe Parra, Lead Policy Consultant, Senate Republican Caucus
Myesha Jackson, Chief Consultant, Assembly Human Services Committee
Mary Bellamy, Princiapal Consultant, Assembly Republican Caucus
Jackie Wong, President Pro Tempore's Consultant, Human Services
Gail Gronnert, Consultant, Assembly Speaker's Office
Nancy Strohl, Consultant, Office of Senator Mitchell
Lark Park, Governor's Advisor, Health and Human Services
Santi Rogers, Director, Department of Developmental Services
Diana Dooley, Secretary, Health and Human Services Agency

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Early Start

The Early Start program provides critical early intervention for infants and toddlers with a heightened risk of a developmental disability. **Its restoration to pre-2009 levels is critical**. The program is funded by state and federal funds. In 2009, in response to state budget shortfalls, California's Legislature tightened the eligibility criteria for the program, which eliminated funding for developmental and therapeutic services for several groups of infants and toddlers, including:

- Infants and toddlers at-risk, factors include very premature births or prenatal drug exposure;
- Infants and toddlers at-risk because they have a parent with a developmental disability; and,
- Toddlers referred services at two years of age with considerable delays not significant enough to meet new, more stringent criteria. Many are later diagnosed with Autism Spectrum Disorder.

Studies and experience have shown that:

- Children served as a result of being "at-risk" for a developmental disability begin receiving services at a younger age;
- 69% of at-risk children who receive early intervention require no special education services by the time he or she enters kindergarten;
- The monthly cost of serving an at-risk child is lower than serving other groups of children;
- During (federal) Fiscal Year 2008, over 40% of the infants and toddlers served by Early Start who were considered "at-risk" entered the program lagging behind same-age peers in each of three critical developmental areas and ultimately exited the program with age-appropriate skills;
- Early interventions result in better parenting skills for parents with developmental disabilities;
- Children showing risk factors for Autism Spectrum Disorder have better developmental outcomes the earlier that services are received; and,
- Intervention programs aimed at very young children have the best rate of return on financial investment.

Reductions to the Early Start program amount to approximately $80 million annually, but the effect on impacted children and families is immeasurable. Early intervention for all infants and toddlers at-risk for developmental disabilities is a wise investment for the future of children, their families, and for California. For additional information about the program, the lives it has touched, and ways you can help, please visit www.renewearlystart.net or join our mailing list with the QR code to the right.

Attachment #5

March 12, 2014

Proposal from the Lanterman Coalition on the California Budget and keeping the Promise to Californians with Developmental Disabilities.

Over fifty years ago, California made a promise to this state's most vulnerable residents. The Lanterman Developmental Disabilities Services Act sets forth the state's commitment to the people with developmental disabilities as follows:

The State of California accepts a responsibility for persons with developmental disabilities and an obligation to them which it must discharge... An array of services and supports should be established which is sufficiently complete to meet the needs and choices of each person with developmental disabilities, regardless of age or degree of disability, and at each stage of life and to support their integration into the mainstream life of the community. i WIC §4501

Due to budget cuts over the past 30 years (See ARCA Reports) California is failing to keep its promise to Californians with Developmental Disabilities. In order to keep that promise to individuals with Developmental Disabilities living in the community and to provide a viable community alternative to persons currently living in the Developmental Centers the Lanterman Coalition makes the following budget recommendations.

Support the Plan from the Task Force on the Future of Developmental Centers
Given challenges associated with institutional models of care and a decreasing census in developmental centers, the cost of supporting each individual continues to rise and is unsustainable. Additional costs associated with the correction of deficiencies and deferred maintenance of aging facilities highlight the need to focus available resources on developing community resources, which is consistent with the recommendations in the Developmental Center Task Force report. In order to keep the forward momentum towards less reliance on institutional care, the Legislature should direct the Department of Developmental Services to develop a plan to implement the recommendations of the Developmental Center Task Force.

Down Payment of System Sustainability
The service delivery system, including the Regional Centers and vendored provider agencies, are currently unable to provide services and supports needed to protect health and safety and support integration into the mainstream life of the community. We are requesting a 5% annual increase in provider rates and regional center operations budgets as a down payment to ensure system stability while DDS arrives at a cost-based rates/budgeting system.

Begin the Work of Creating a Cost Based Rate Model
As a result of a series of budget crises California had abandoned the practice of setting rates based on reasonable assumptions about the actual cost of providing services. It is imperative that California begin the work of creating a cost based rate model for delivering services. This is consistent with the recommendation #6 of the Task Force on the Future of Developmental Centers, "Among the many issues to be considered are: 1) the sufficiency of community rates and the impact new State and federal laws and regulations may have; 2) whether current regulations can be streamlined, particularly affecting the licensing of facilities; and, 3) whether certain benefits received by DC residents as part of a DC closure process should be broadened to others in the community."

Invest in Early Start Support for Children with Disabilities
California needs to invest in the future of its youngest children who are at risk for later diagnosis of a Developmental disability. Services provided through California's Early Start program have proven to be successful in preventing and reducing the impact of Developmental disabilities. Failing to provide early intervention can result in the need to fund lifelong support services. California needs to return to providing necessary services to infants and toddlers with risk factors (i.e., low birth weight, prenatal drug exposure, a parent with a developmental disability, etc.) or milder developmental delays noted at age two, as this provides them the opportunity to reach their full developmental potential in early childhood.

Invest in Work for Adults with Developmental Disabilities
California needs to invest in the future of persons with Developmental disabilities by providing an effective path to employment. Inadequate funding of supported work and job development services has led to a decline in employment for Californians with Developmental disabilities. Employment is by far the best option to insure that Californians with Developmental disabilities are integrated into the mainstream life of the community. It provides the dignity and respect that comes with making a contribution the larger society. We request that the legislature increase supported employment services by 10%, as described in AB 1626 (Maienschein), to begin investing in employment outcomes for people with developmental disabilities.

Remove Regional Center Prohibition against Paying for Co-Pay and Deductibles
Providing timely behavioral supports to persons with Autism Spectrum Disorders (ASD) has proven to be a cost effective investment in the future of persons with ASD. These services have allowed for integration into the mainstream life of the community, while reducing the long term cost of supports for persons with ASD. The requirement that private insurance companies fund behavioral supports to persons with Autism has been successful in reducing costs to the state for those services. Unfortunately the prohibition on payment of deductibles and restriction on payment of co-payments has resulted in families having to choose between dropping their insurance coverage or discontinuing essential services due to their inability to afford the cost of the deductible or co-pays. In some cases the cost to regional centers can be even more than the cost of paying these co-pays and deductibles. We urge the legislature to remove the language prohibiting the payment of deductibles attributed to behavioral services and remove the limitations on covering co-payments for behavioral supports. To further exacerbate the problem, when children transitioned out of the Healthy Families

Program into Medi-Cal many lost access to Applied Behavioral Analysis services. We therefore recommend California covers medically necessary Behavioral Health Treatment for Medi-Cal beneficiaries.

Invest in Supporting Family Caregivers

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 services such as In-Home Supportive Services (IHSS) and regional center funded respite. These services allow families to maintain individuals at home at a significant cost savings to the state. Limitations on the number of respite hours that regional centers can authorize combined with a proposal to limit each IHSS worker's hours to forty per week will stretch many families' emotional and financial resources to the point that maintaining the individual in the family home is no longer feasible. In the interest of supporting individuals in their chosen setting and keeping families together, the Lanterman Coalition asks that the Legislature make cost-effective decisions to determine respite hours based only on the needs of each family and to allow chosen IHSS workers to provide the necessary hours of assistance to each individual.

Remove Failed Policies that Cost More than they Save

We call on the legislature to remove statutory requirements added by trailer bills beginning in 2009 that were intended to generate cost savings but in fact only served to increase provider costs for administrative and accounting tasks and decrease the funding desperately needed for actual services. Removing this language will not result in increased costs to the state while helping to improve the provider's ability to deliver quality services. We ask the legislature to remove the trailer bill language calling for the fiscal audit requirements on agencies with budgets below $2 million, and a parental fee that cost more to determine and collect than savings generated.

Finally, a series of state and federal policy initiatives, including increases in the minimum wage, changes to federal labor regulations relating to overtime for in-home services and other mandates that add significant costs to the developmental services system. These mandatory costs must be funded. They are unrelated to the measures to build future system sustainability discussed above. We are pleased to note that the Governor included a placeholder in the January Budget to address these costs. We expect ongoing work with the Department will result in additional information from the Administration during upcoming Legislative hearings and in the May Revision and full funding of these mandates.

This Lanterman Coalition document was endorsed by the 17 major stakeholders in California's community based developmental services system: The Arc and United Cerebral Palsy California Collaboration, the Association of Regional Center Agencies, Autism Society of California, California Disability Services Association, California Supported Living Network, Disability Rights California, Family Resource Centers Network of California, People First of California, Service Employees International Union, Cal-TASH, Easter Seals, The Alliance, Autism Speaks, the Alliance of California Autism Organizations, ResCoalition, and the California Respite Association.

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Attachment #6

April 10, 2014

To: Members of the Legislature
From: Assemblymember Wesley Chesbro
Subject: Budget Support Request: Developmental Disabilities

During a time of repeated and extreme budget deficits over the last decade, the Legislature has made severe cuts to the already overburdened and underfunded developmental disability system. Inadequate rates, services, and policies have hindered California's ability to meet the basic obligations to the thousands of Californians with developmental disabilities. Recognizing we are still under a time of budgetary caution, it is time to reinvest in this population that is in dire need of our assistance. I hope you will join me in supporting a reasonable plan to stabilize this crumbling system of supports and services and make cost-efficient investments in some if not all of the following areas.

1. Support the plan for the future of the developmental centers developed by HHS Secretary Diana Dooley's task force, and ask the administration to submit implementation steps in the May Revise.
2. Increase provider rates and regional center operating funds by 5% as a down payment on system sustainability.
3. Direct the administration to begin work on a rate structure that covers the actual costs, something we haven't seen in years. This is consistent with Secretary Dooley's plan to focus on the community services and supports system between now and 2015.
4. Invest in early intervention for babies and toddlers at risk of developmental disabilities. We know that lack of these services, eliminated in 2009, already is increasing state costs as these children develop life-long disabilities.
5. Invest in employment services for adults with developmental disabilities, one of the best paths to integrating people with development disabilities into the wider society.
6. Allow regional centers to cover co-payments and deductibles for autism and other developmental services now covered by private insurance. Senator Steinberg's hearing found reports that that prohibiting regional centers from covering these costs actually increases state costs later.
7. Invest in supporting the family caregivers with the programs that build on their resilience and strengthen the families caring for people with developmental disabilities at home.
8. Repeal other failed policies that save the state nothing and in some cases cost more.

Yes, I would like to support the developmental disability community's Budget proposal to keep the promise to Californians with Disabilities

Member Name

Member Signature

Please return this form to the office of Assembly Member Chesbro, Room 2141, or fax to (916) 319-2102. If you have any questions, please contact Chantel Johnson at (916) 319-2002.

Attachment #7

April 20, 2014

Governor Jerry Brown
c/o State Capitol, Suite 1173
Sacramento, CA 95814
Phone: 916.445.2841
Fax: 916-558-3160

RE: **Governor's Proposed Budget for FY 2014 - 2015**
for the Department of Developmental Services (DDS)

I am writing you today to strongly advocate for Californians and their families who receive services from the Department of Developmental Services. I ask that you:

1. Support the plan for the future of the developmental centers that was developed by HHS Secretary Diana Dooley's task force, and ask the administration to submit implementation steps in the May Revise.
2. Increase provider rates and regional center operating funds by 5% as a down payment on system sustainability.
   - Increase regional center operations budgets until they reflect actual staff costs and other operating expenses.
   - Restore cuts that have required community-based providers to operate under stagnant rates for many years.
   - Expand regional center rate negotiation authority.
3. Invest in early intervention for babies and toddlers at risk of developmental disabilities. We know that lack of these services, eliminated in 2009, already is increasing state costs as these children develop life-long disabilities.
   - Expand eligibility criteria for Early Start to pre-2009 trailer bill language levels.
4. Invest in employment services for adults with developmental disabilities, one of the best paths to integrating people with development disabilities into the wider society.
   - Expand funding for supported work and job development services for people with developmental disabilities.
5. Allow regional centers to cover co-payments and deductibles for autism and other developmental services now covered by private insurance. Senator Steinberg's hearing found reports that that prohibiting regional centers from covering these costs actually increases state costs later.
   - Allow regional centers to pay co-payments for behavioral services.
   - Allow regional centers to pay deductibles for behavioral services.
6. Repeal other failed policies that save the state nothing and in some cases cost more.
   - Remove trailer bill language calling for fiscal audit requirements on agencies with budgets below $2 million.
   - Remove trailer bill language requiring a parental fee that is more costly than savings generated.

Now is the time to invest in the regional center system to ensure sufficient capacity to carry out the promise of the Lanterman Act for all Californians with developmental disabilities.

Over 277,970 people with developmental disabilities and their families are depending on you to ensure the budgetary support needed to invest in the health and safety of some of California's most vulnerable citizens, and will be closely monitoring your decision.

Signature

Full Name

Home Address

City – Zip Code

April 20, 2014

Assembly Budget Subcommittee #1
Attn: Assemblymember Shirley Weber, Chair
State Capitol, Room 6026
Sacramento, CA 95814

RE: **Governor's Proposed Budget for FY 2014 - 2015**
for the Department of Developmental Services (DDS)

I am writing you today to strongly advocate for Californians and their families who receive services from the Department of Developmental Services. I ask that you:

1. Support the plan for the future of the developmental centers that was developed by HHS Secretary Diana Dooley's task force, and ask the administration to submit implementation steps in the May Revise.
2. Increase provider rates and regional center operating funds by 5% as a down payment on system sustainability.
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   - Allow regional centers to pay co-payments for behavioral services.
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6. Repeal other failed policies that save the state nothing and in some cases cost more.
   - Remove trailer bill language calling for fiscal audit requirements on agencies with budgets below $2 million.
   - Remove trailer bill language requiring a parental fee that is more costly than savings generated.

Now is the time to invest in the regional center system to ensure sufficient capacity to carry out the promise of the Lanterman Act for all Californians with developmental disabilities.

Over 277,970 people with developmental disabilities and their families are depending on you to ensure the budgetary support needed to invest in the health and safety of some of California's most vulnerable citizens, and will be closely monitoring your decision.

Signature

Full Name

Home Address

City – Zip Code

April 20, 2014

Senate Budget Subcommittee #3
Attn: Senator Ellen Corbett, Chair
State Capitol, Room 5019
Sacramento, CA 95814

RE: **Governor's Proposed Budget for FY 2014 - 2015**
for the Department of Developmental Services (DDS)

I am writing you today to strongly advocate for Californians and their families who receive services from the Department of Developmental Services. I ask that you:

1. Support the plan for the future of the developmental centers that was developed by HHS Secretary Diana Dooley's task force, and ask the administration to submit implementation steps in the May Revise.
2. Increase provider rates and regional center operating funds by 5% as a down payment on system sustainability.
   - Increase regional center operations budgets until they reflect actual staff costs and other operating expenses.
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   - Allow regional centers to pay co-payments for behavioral services.
   - Allow regional centers to pay deductibles for behavioral services.
6. Repeal other failed policies that save the state nothing and in some cases cost more.
   - Remove trailer bill language calling for fiscal audit requirements on agencies with budgets below $2 million.
   - Remove trailer bill language requiring a parental fee that is more costly than savings generated.

Now is the time to invest in the regional center system to ensure sufficient capacity to carry out the promise of the Lanterman Act for all Californians with developmental disabilities.

Over 277,970 people with developmental disabilities and their families are depending on you to ensure the budgetary support needed to invest in the health and safety of some of California's most vulnerable citizens, and will be closely monitoring your decision.

Signature

Full Name

Home Address

City – Zip Code

Attachment #8

California LEGISLATIVE INFORMATION

SB-367 Developmental services: regional centers: cultural and linguistic competency. (2013-2014)

Senate Bill No. 367

CHAPTER 682

An act to amend Section 4622 of the Welfare and Institutions Code, relating to developmental services.

[Approved by Governor October 09, 2013. Filed with Secretary of State October 09, 2013.]

LEGISLATIVE COUNSEL'S DIGEST

SB 367, Block. Developmental services: regional centers: cultural and linguistic competency.

Under existing law, the Lanterman Developmental Disabilities Services Act, the State Department of Developmental Services is required to contract with regional centers to provide support and services to individuals with developmental disabilities. Existing law requires the governing board of the regional center to satisfy specified requirements, including annually reviewing the performance of the director of the regional center, and providing necessary training and support to board members.

This bill would require that this training and support include issues relating to linguistic and cultural competency, and would require each regional center to post on its Internet Web site information regarding the training and support provided. The bill would require the governing board to annually review the performance of the regional center in providing services that are linguistically and culturally appropriate and would authorize the governing board to provide recommendations to the director of the regional center based on the results of that review.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 4622 of the Welfare and Institutions Code is amended to read:

4622. The state shall contract only with agencies, the governing boards of which conform to all of the following criteria:

(a) The governing board shall be composed of individuals with demonstrated interest in, or knowledge of, developmental disabilities.

(b) The membership of the governing board shall include persons with legal, management, public relations, and developmental disability program skills.

(c) The membership of the governing board shall include representatives of the various categories of disability to be served by the regional center.

(d) The governing board shall reflect the geographic and ethnic characteristics of the area to be served by the regional center.

(e) A minimum of 50 percent of the members of the governing board shall be persons with developmental disabilities or their parents or legal guardians. No less than 25 percent of the members of the governing board shall be persons with developmental disabilities.

(f) Members of the governing board shall not be permitted to serve more than seven years within each eight-year period.

(g) (1) The regional center shall provide necessary training and support to these board members to facilitate their understanding and participation, including issues relating to linguistic and cultural competency.

(2) As part of its monitoring responsibility, the department shall review and approve the method by which training and support are provided to board members to ensure maximum understanding and participation by board members.

(3) Each regional center shall post on its Internet Web site information regarding the training and support provided to board members.

(h) The governing board may appoint a consumers' advisory committee composed of persons with developmental disabilities representing the various categories of disability served by the regional center.

(i) The governing board shall appoint an advisory committee composed of a wide variety of persons representing the various categories of providers from which the regional center purchases client services. The advisory committee shall provide advice, guidance, recommendations, and technical assistance to the regional center board in order to assist the regional center in carrying out its mandated functions. The advisory committee shall designate one of its members to serve as a member of the regional center board.

(j) (1) The governing board shall annually review the performance of the director of the regional center.

(2) The governing board shall annually review the performance of the regional center in providing services that are linguistically and culturally appropriate and may provide recommendations to the director of the regional center based on the results of that review.

(k) No member of the board who is an employee or member of the governing board of a provider from which the regional center purchases client services shall do any of the following:

(1) Serve as an officer of the board.

(2) Vote on any fiscal matter affecting the purchase of services from any regional center provider.

(3) Vote on any issue other than as described in paragraph (2), in which the member has a financial interest, as defined in Section 87103 of the Government Code, and determined by the regional center board. The member shall provide a list of his or her financial interests, as defined in Section 87103, to the regional center board.

Nothing in this section shall prevent the appointment to a regional center governing board of a person who meets the criteria for more than one of the categories listed above.