

February 1<sup>st</sup>, 2019

Senator Richard Pan

Chair, Senate Budget Subcommittee #3 on Health and Human Services

Assembly Member Joaquin Arambula

Chair, Assembly Committee on Budget, Subcommittee #1 on Health and Human Services

**RE: Department of Developmental Services (4300) – Governor’s 2019-20 Proposed Budget**

Honorable Senator Pan and Assembly Member Arambula:

The Association of Regional Center Agencies (ARCA) represents the network of 21 non-profit regional centers that serve over 330,000 Californian children and adults with developmental disabilities. We thank you for this opportunity to comment on the Governor’s proposed Budget for FY 2019-20 for the Department of Developmental Services (DDS).

**Systemic Stability and Down Payments**

California has a long-standing public policy commitment to support individuals with developmental disabilities to meet their unique goals in their home communities. As its developmental services system continues to grow, expecting to add nearly 17,000 people in the coming fiscal year, it is incumbent on the state to prioritize overall stability and capacity to meet the variety of unique needs that arise from the combination of each person’s diagnosis, age, support needs, preferences, and cultural values.

**Rate Study Implementation**

California embarked on a comprehensive study of service provider rates in 2016 that is due to the Legislature in March 2019. Statute requires the study to put forth rate recommendations that take into account sustainability, quality, transparency, an adequate supply of service providers, and methods to incentivize better service outcomes. There is great anticipation the rate study will deliver a roadmap for future service delivery, but also concern that its spring release will leave little time during the FY 2019-20 Budget deliberations for full implementation of its recommendations. Since the commitment to the study was made in 2016, the Consumer Price Index has risen approximately 8% and California’s Wage Index has grown by 12%. In order to prevent interruptions in service delivery that could result from delayed implementation due to ongoing inflationary pressures, ARCA joins other members of the Lanterman Coalition in urging an 8% rate increase for service providers this year as a down payment towards full implementation of the rate study recommendations.

### Regional Center Operations

Most funding for regional center Operations is calculated using an antiquated formula based on old assumptions about the staffing needed to carry out the work of a regional center, as well as outdated salary and benefit levels for those positions. Ultimately, the Developmental Services Task Force will be the venue for recommendations related to correcting the overall formula. In the meantime, due to the same inflationary pressures facing service providers, regional centers continue to be unable to meet statutorily-required caseload ratios that are consistent with California's long-standing commitment to the federal government. Stability for regional centers entails adequate additional funding to meet caseload ratios as well as an 8% down payment for service coordination and other essential supportive services regional centers provide.

### **FY 2018-19 – Purchase of Service**

The Governor's budget reflects a \$74.4 million reduction in POS in FY 2017-18, primarily due to lower-than-expected utilization of funds budgeted for increases in the state minimum wage. Only direct service staff at or below the state minimum wage level were eligible for these increases. Service providers in more than 20 of the highest cost jurisdictions in California are required to pay higher local minimum wages. They are largely ineligible for additional funding that other providers receive when the statewide minimum wage increases because these providers are required by the higher local minimum wage ordinances to pay above statewide minimum wage. For example, service providers with at least 25 staff members in the City of Los Angeles were required to pay at least \$12.00 per hour (the current statewide minimum wage) beginning July 2017 and at least \$13.25 per hour beginning July 2018. They were last eligible for rate adjustments due to minimum wage increases when it was \$11.00 per hour.

ARCA recommends the reduction in POS attributable to lower-than-expected utilization of funds budgeted for increases in the state minimum wage be reappropriated to FY 2019-20. Consistent with the original intent of the funds budgeted for this purpose, ARCA recommends the adoption of trailer bill language to allow those providers with employees earning local minimum wage to be eligible for rate adjustments they would have otherwise received due to increases in the statewide minimum wage if a higher local minimum wage was not in effect.

### **Safety Net Proposals**

Sonoma Developmental Center closed at the end of 2018. Fairview Developmental Center and the General Treatment Area of Porterville Developmental Center are scheduled for closure soon, which will leave very limited capacity in state-operated facilities for people with developmental disabilities. This provides a significant opportunity to strengthen the capacity of the community to better support people who present with the most challenging behavioral and psychiatric support needs, many of whom are children. The closer to an individual's home community that short-term intensive supports can be provided, the greater the likelihood that in the long-term the person can fully reintegrate with their friends, family, and community. ARCA supports the proposals to establish three Community Crisis Homes (CCHs) for children, as well as three additional Stabilization, Training, Assistance, and Reintegration (STAR) Homes and another Crisis Assessment Stabilization Team.

### **Uniform Holiday Schedule**

ARCA opposes the reinstatement of the Uniform Holiday Schedule, with 14 mandatory statewide furlough days. This policy robs people with developmental disabilities of the consistent support they need to work and achieve independence, while placing additional pressure on their families to fill the gap in services. This amounts to a rate cut for service providers and forces dedicated direct support professionals, many of whom are paid minimum wage, to take unpaid days off. This proposal to implement a Recession-era Budget cut at a time when the state is flush with funds is unreasonable and should be rejected.

### **Home and Community-Based Services Assessments**

Since the signing of the Lanterman Act in the 1960s, regional centers have been focused on providing services to help people with developmental disabilities reach their full potential as members of their communities. Federal policy requiring services be provided in integrated community settings is in alignment with that principle. All states have until March 2022 to evaluate service settings, make necessary modifications, and certify they meet the federal expectation for promoting inclusion. Given the size of California's service system for people with developmental disabilities, ARCA supports the proposal that would provide DDS with funding to contract for the routine onsite visits necessary to establish federal compliance. The state should, however, remain the decision-maker for broad policy considerations related to overall federal compliance (*e.g.*, determining how to update statutes or regulations that conflict with federal expectations, etc.).

### **FY 2019-20 – Regional Center Quality Assurance and Service Coordination**

#### **Specialized Home Monitoring**

As noted above, with the closure of developmental centers and the increased focus on community integration, even for people with the most challenging medical and behavioral support needs, the community safety net continues to strengthen. Adult Residential Facilities for Persons with Special Health Care Needs (ARFPSHNs), in conjunction with Enhanced Behavioral Supports Homes (EBSHs) and CCHs, provide residential options for those with significant ongoing support needs. It is critically important for these homes to have access to intensive clinical support and monitoring provided by regional centers. ARCA supports the proposed long-term funding for regional center nurses and behavioral specialists to carry out these functions.

#### **Specialized Caseload Ratio**

ARCA appreciates and supports the proposal to fund nearly 50 positions statewide to meet the intensive service coordination needs, through smaller caseloads, of those individuals with the most complex needs. On a short-term basis, some people require a high level of service coordination time in order to achieve community stability. This proposal would allow regional centers to provide enhanced supports to those most in need of them.

For the larger population they support, regional centers continue to struggle to hire and retain skilled staff, in part because of outdated and insufficient funding formulas, resulting in caseload ratios that are not in legal compliance. One driver of this dynamic is that every new service coordinator position is

funded far below the cost of actually employing staff members. With each new position authorized, the gap between budgeted and actual service coordination costs grows. ARCA requests all service coordination positions be funded at the more reasonable salaries (\$55,000 per year with no assumed salary savings) and benefit rates (34%) assumed in the specialized caseload ratio policy in the FY 19-20 Governor's Budget.

### **DDS Headquarters Enhancements**

#### **Headquarters Restructure and Reorganization**

California's developmental services system works through a combination of: 1) Ongoing direct service delivery provided to people with developmental disabilities by service providers; 2) Individual service coordination, clinical support, and local community engagement offered by regional centers; and, 3) DDS support for statewide budgeting, monitoring, and planning. The dramatic decline in developmental center populations provides an opportunity to explore how DDS can better support the 99.8% of people with developmental disabilities who reside in community-based settings today. As investments are needed throughout the developmental services system to improve service delivery, ARCA supports improvements to the efficiency, effectiveness, and support that DDS provides for regional centers only in conjunction with adequate funding for service providers and regional center staff for critical functions related to service coordination, resource development, quality assurance, finance, and risk mitigation.

California's developmental services system is unique, as it offers a true entitlement to needed services, and also because the system of regional centers was intentionally created to ensure responsiveness to local needs and priorities through independent nonprofits. Any efforts to refine California's system of service delivery should stay true to these fundamental tenets.

#### **Replacement of Federal Billing System**

California's system of service delivery to people with developmental disabilities relies on nearly \$3 billion in federal funding, most of which must be billed for discreet services provided to specific individuals. Given the age of DDS's electronic federal billing system and the potential interruption in funding if it fails, ARCA supports the proposal to work towards eventually replacing this legacy accounting system.

ARCA will continue to collaborate with the Administration, the Legislature, and our partners in the community to meet future challenges and to keep the promise of the Lanterman Act for hundreds of thousands of Californians who rely on it.

Sincerely,

/s/

Amy Westling

Executive Director