

**ASSOCIATION OF REGIONAL CENTER AGENCIES  
ANALYSIS OF THE FY 2015-16 MAY REVISION  
MAY 14, 2015**

**Plan for Developmental Center Closures**

The May Revision proposes to begin the closure planning process for the remaining Developmental Centers (DCs). Under this plan Sonoma DC will close by the end of 2018. Subsequently, Fairview will close and then the General Treatment Area of Porterville DC will close by 2021.

Trailer bill language will be proposed to allow DDS to allocate funds to develop the necessary programs to serve the residents of those DCs. Approval of this language is expected by October 1, 2015.

The May Revision includes \$49.3 million for additional CPP funding for this effort. \$46.7 million for start-up and placement costs, \$1.3 million for RC OPS for project coordination, and \$1.3 million for state coordination.

**FY 2014-15 (Current Year)**

**1. CASELOAD**

The November Estimate projected the regional center Community Caseload to be 278,593 consumers as of January 31, 2015. The May Revision increases the January 31, 2015 caseload to 279,453, an increase of 860 consumers.

**2. PURCHASE OF SERVICE - \$41.8 Million Increase (%0.9 Increase)**

- \$ 72.3 million increase to Purchase of Services over the November Estimate due to updated caseload and expenditure data. This results in a total increase of \$177.1 million over the enacted budget.
- \$20.7 million decrease in the amount budgeted for the implementation of the new Federal labor regulations. Due to the court decision, the implementation of this is now on hold. This decrease results in a net decrease of \$17.0 million from the enacted budget.
- \$21.4 million for continuation costs for residents transitioning from the DCs into the community.
- \$31.2 million decrease to the amount budgeted for the implementation of AB 10 minimum wage increases to reflect actual costs (Note 1).

**3. OPERATIONS - \$1.6 Million Increase (0.3% Increase)**

- A \$1.7 million increase in OPS from the November Estimate due to updated caseload and expenditure data. Overall, this is a \$7.8 million net increase in OPS over the enacted budget. The changes include:

- \$112,000 net decrease in Projects.
- \$30,000 increase in the ICF-SPA Administrative Fees.

## **FY 2015-16 (Budget Year)**

### 1. CASELOAD

The May Revision anticipates an increase of 289,931 consumers (a 3.8% increase) over the 279,453 consumers projected for January 31, 2015.

### 2. PURCHASE OF SERVICE - \$470.6 Million Increase Over Current Year (10.9% Increase)

- \$223.7 million increase due to caseload and utilization growth.
- \$39.7 million increase for the anticipated implementation of the new Federal labor regulations.
- \$13.0 million decrease for the one-time re-appropriation of funds from prior years for CPP.
- \$62.4 million increase for implementation of AB 10 minimum wage increases.
- \$27.0 million increase for implementation of AB 1522 employee sick-leave benefits (Note 2).
- \$5.0 million decrease due to Behavior Health Treatments to be covered by Medi-Cal (Note 3).
- \$16.5 million increase for continuation costs for residents transitioning from the DCs into the community (Note 4).
- \$9.8 million increase for the restoration of the Early Start eligibility criteria (Note 5).
- \$48.0 million for additional CPP start-up and placement costs for the closure of Sonoma DC by the end of 2018.
- \$61.5 million for prior year General Fund loans (Note 6).

### 3. OPERATIONS – \$27.1 Million Increase Over Current Year (4.6% Increase)

- \$24.7 million increase in Staffing due to the projected increase in caseload.
- \$125,000 increase in case managers to meet HCBS waiver requirements to reflect updated caseload data.
- \$339,000 net increase in Projects.
- \$2.1 million increase for implementation of AB 10 minimum wage increases (increase to Core staffing Formula salaries).
- \$96,000 decrease to OPS funding for the Lanterman DC closure.
- \$45,000 decrease for OPS funding for CPP re-appropriated from prior years.

## **Future Fiscal Issues and New and revised Major Assumptions**

DDS lists four issues in Future Fiscal Issues of the budget. They are:

- Competitive, Integrated Employment for People with Intellectual Disabilities
- Senate Bill (SB) 468 (Chapter 683, Statutes of 2013), Statewide Self-Determination Program
- Developmental Services Task Force
- CMS Final Regulations for Home and Community-Based Services

### **Notes**

1. AB 10 increased the minimum wage from \$8 to \$9 effective July 1, 2014. DDS's initial estimate of costs was \$106.5 Million. Based upon service providers and Regional Center reports of estimated annual impact the revised estimate of costs is \$75.3 Million.

2. AB 1522 (Chapter 317, Statutes of 2014) Employment: Paid Sick Days enacts the Healthy Workplaces, Healthy Families Act of 2014. In certain circumstances employers are required to give their employees paid sick leave. The Governor's Budget estimate of the fiscal impact to service providers to comply with the requirements of AB 1522 was \$25.3 Million. For the May Revision the updated estimate is \$27.0 Million. This revised estimate reflects updated expenditure data. Please note that this estimate is subject to change as DDS is working with service providers to refine this estimate.

3. SB 870 added WIC, Section 14132.56 to direct DHCS to implement Behavior Health Treatment (BHT) services to the extent that it is required by the federal government to be covered by MediCal for individuals under 21 years of age. This program ensures children with autism receive early treatment to reduce or eliminate the need for services as they age. Once implemented, the retroactive date of this new service will be July 1, 2014.

It is estimated that 7,800 individuals currently receiving BHT services through the regional centers may be eligible to receive these services under the proposed Medi-Cal benefit.

DHCS' interim policy guidance issued on September 15, 2014, indicates all individuals receiving BHT services through the RCs on September 14, 2014 will continue to receive those services through the RCs until such time that DHCS, and DDS develop a plan for transition. DHCS is working with DDS and stakeholders on a plan to transition current Medi-Cal eligible RC clients who are

receiving services. These services will be covered by Medi-Cal upon federal approvals. The transition is expected to be finalized later in 2014-15, with the transition expected to occur in 2015-16.

4. DDS has changed the way it budgets for the continuation costs for DC placements. Clients placed from a DC have their costs charged to CPP funds during the year of placement. In the year following placement, their costs are charged to regular POS. Since the average cost of clients placed from a DC are significantly higher than the average costs of other new clients to the RC system, DDS has budgeted for these clients separate from regular POS growth.

5. To correct an error in the Governor's Budget estimate regarding the full-year cost to provide expanded eligibility for Early Start services the May Revision estimate for 2015-16 is updated to \$15.3 Million, an increase of \$9.8 Million over the Governor's Budget.

6. DDS has a shortfall of approximately \$62 Million in fiscal years 2011-12 and 2012-13, resulting in a need for additional GF to re-pay outstanding GF loans in those years. After reconciling information on federal fund reimbursement assumptions, DDS has identified a shortfall of \$15.6 million in fiscal year 2011-12 and approximately \$46 million in 2012-13. The shortfall is the result of DDS's overestimate of reimbursements not adjusted for cost-containment proposals enacted during those fiscal years and lower than anticipated savings from the private insurance coverage of behavioral health therapy required by Chapter 650, Statutes of 2011 (SB 946). DDS is asking for provisional language to specify that these funds are to be used only for prior year shortfalls.