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Assembly California Legislature



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January 9, 2018

The Honorable Holly Mitchell, Chair
Senate Committee on Budget
State Capitol, Room 5080
Sacramento, CA 95814

The Honorable Phil Ting, Chair
Assembly Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

The Honorable Dr. Richard Pan, Chair
Senate Budget Subcommittee #3
State Capitol, Room 5114
Sacramento, CA 95814

The Honorable Dr. Joaquin Arambula, Chair
Assembly Budget Subcommittee #1
State Capitol, Room 2160
Sacramento, CA 95814

RE: Bridge Funding for Dept. of Developmental Services (DDS) Service Provider to maintain critical services

Dear Chairpersons,

Through the Lanterman Act, California provides services and supports to over 300,000 individuals with developmental disabilities. Families are often the first line of support; most individuals also receive additional assistance from service providers. Over 40,000 of these businesses help make independent community life possible.

These providers are contracted with the state's 21 independent non-profit regional centers. The centers provide, among other supports, service coordination and quality assurance, linking individuals with service providers to meet each person's unique needs. However, this otherwise straightforward process has a significant gap in it. Due to long-standing rate freezes, dating back to 2003, service providers cannot negotiate, nor can regional centers offer, a rate that reflects the actual operating costs. This means that, unlike any other business or contractor, the developmental disabilities services system has no way to adjust payment rates to meet increasing labor and other operations costs.

As the FY2018-19 Budget is negotiated, please consider resolving this critical gap in funding.

To do so, \$25M General Fund in FY 2018-19 would be needed. This is the cost developed by Senate Appropriations Committee analysis, and would include additional federal financial participation. This is intended as bridge funding, pending the finalization of a rate study DDS is currently undertaking, which is scheduled for completion in March 2019.

Funds will address operating cost pressures arising from extraordinary cost of living increases in each of California's major population centers. Documented increases in labor, housing, leasing and fuel costs in

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our most populous regions has damaged the capacity of service providers in these regions. Regional Centers who coordinate and oversee services to consumers in these areas report severe strain on their local providers and an increasing shortage of critical resources for many of their most vulnerable consumers.

Rate adjustments drawing from these funds will be implemented by building on existing rate adjustment mechanisms which include documentation of reported need and for a clear audit trail ensuring all funds are used solely for approved purposes. Existing mechanisms, including Unanticipated and Anticipated Rate Adjustment Requests as well as processes to request adjustments for state minimum wage increases can be used and expanded to include funding for increased mandated labor costs as well as increased transportation and lease expenses.

The requested appropriation would allow for the possibility of rate relief for cost pressures facing providers who are struggling to keep services available to the individuals with developmental disabilities that California has promised to serve.

This modest infusion, built on existing processes, will serve as a temporary bridge until comprehensive funding reform can be completed. These funds will help preserve essential services and maintain critical relationships that service providers have with the people they serve, and in doing so, prevent the state from having to fund alternative and often higher-cost services to meet their needs.

I thank you for your time and consideration of this important issue.

Sincerely,



CHRIS R. HOLDEN

State Assembly, District 41

Cc: Diana S. Dooley, Secretary, California Health and Human Services Agency
Nancy Bargmann, Director, Department of Developmental Services
Speaker Rendon
President Pro Tempore De Leon
Members and Staff, Senate Budget and Fiscal Review Subcommittee #3
Members and Staff, Assembly Committee on Budget Subcommittee #1
Members, Senate Committee on Budget
Members, Assembly Committee on Budget
Jennifer Troia, President Pro Tempore's Consultant, Human Services
Gail Gronert, Policy Consultant, Office of the Speaker
Chantele Denny, Human Services Consultant, Senate Republican Fiscal Office
Cyndi Hillery, Consultant, Assembly Republican Fiscal Office
Mark Newton, Legislative Analyst's Office
Sonja Petek, Legislative Analyst's Office
Kris Cook, Department of Finance
Teresa Calvert, Department of Finance