

2008-09 Governor's Budget

Highlights

Department of Developmental Services



**Arnold Schwarzenegger
Governor
State of California**

**Kimberly Belshé
Secretary
California Health and Human Services Agency**

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Director
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January 2008

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2008-09 GOVERNOR'S BUDGET**

FUNDING SUMMARY

(Dollars in Thousands)

	2007-08 Estimated Expenditures	2008-09 Governor's Budget	Difference	Percent Change
BUDGET SUMMARY				
COMMUNITY SERVICES	\$3,656,765	\$3,798,356	\$141,591	3.9%
DEVELOPMENTAL CENTERS	754,774	667,162	-87,612	-11.6%
HEADQUARTERS SUPPORT	40,700	40,097	-603	-1.5%
TOTALS, ALL PROGRAMS	\$4,452,239	\$4,505,615	\$53,376	1.2%
FUND SOURCES				
General Fund	\$2,663,785	\$2,723,588	\$59,803	2.2%
Reimbursements: Totals All	1,602,183	1,560,041	-42,142	-2.6%
<i>Home & Community Based Serv. (HCBS) Waiver</i>	843,457	819,261	-24,196	-2.9%
<i>HCBS Waiver Administration</i>	8,997	8,422	-575	-6.4%
<i>Medicaid</i>	44,000	44,000	0	0.0%
<i>Medicaid Administration</i>	14,356	15,064	708	4.9%
<i>Targeted Case Management</i>	136,200	135,924	-276	-0.2%
<i>Targeted Case Management Administration</i>	4,458	4,763	305	6.8%
<i>Medi-Cal</i>	333,301	291,120	-42,181	-12.7%
<i>Title XX Social Services Block Grant</i>	203,903	203,903	0	0.0%
<i>Self-Directed HCBS Waiver</i>	182	8,773	8,591	4720.3%
<i>Self-Directed HCBS Waiver Administration</i>	434	1,693	1,259	290.1%
<i>Vocational Rehabilitation</i>	588	588	0	0.0%
<i>All Other</i>	12,307	26,530	14,223	115.6%
Public Transportation Account (PTA)	128,806	140,899	12,093	9.4%
Federal Trust Fund	55,549	77,981	22,432	40.4%
Lottery Education Fund	563	563	0	0.0%
Program Development Fund (PDF)	1,355	1,427	72	5.3%
Mental Health Services Fund	0	1,118	1,118	-
AVERAGE CASELOAD				
Developmental Centers	2,620	2,449	-171	-6.5%
Regional Centers	221,655	232,125	10,470	4.7%
AUTHORIZED POSITIONS				
Developmental Centers	7,333.1	6,495.1	-838.0	-11.4%
Headquarters	400.1	382.5	-17.6	-4.4%

DEPARTMENT OF DEVELOPMENTAL SERVICES 2008-09 GOVERNOR'S BUDGET

PROGRAM HIGHLIGHTS

The Department of Developmental Services (the Department) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that more than 230,000 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.

The Governor's Budget includes \$4.5 billion (\$2.7 billion General Fund) for the Department in 2008-09, a net increase of \$53.3 million (\$59.8 million General Fund) above the revised 2007-08 budget and \$143 million (\$81.0 million General Fund) above the Budget Act of 2007.

COMMUNITY SERVICES PROGRAM

2007-08 Updates

To provide services and supports to persons with developmental disabilities in the community, the Governor's Budget updates 2007-08 funding to \$3.7 billion (\$2.2 billion General Fund), an increase of \$54.5 million (\$2.4 million General Fund decrease) from the 2007-08 Budget Act as adjusted for employee compensation.

Caseload and Utilization Update

As a result of caseload estimates and the projected increase in consumers' utilization of services, the Governor's Budget includes a net increase of \$11.2 million (\$1.7 million General Fund decrease) in 2007-08 for regional center operations and purchase of services.

Intermediate Care Facility for the Developmentally Disabled (ICF-DD) Day Program/Transportation Services

The Budget Act of 2007 reflected a reduction of \$44.0 million in regional center day program and transportation expenditures for ICF-DD residents. The budget for the Department of Health Care Services was to reflect a corresponding increase of \$44.0 million, which when added to the ICF-DD rate, would increase General Fund savings by generating federal financial participation (FFP) through an all-inclusive ICF-DD rate. However, consistent with Budget Bill language and the State Plan Amendment submitted to the Centers for Medicare and Medicaid Services, these expenditures are being retained in the Department of Developmental Services' (DDS) budget, and an ICF-DD supplemental reimbursement program is being established to provide the FFP to DDS, increasing reimbursement authority by \$44.0 million.

Current Year Implementation of Budget Balancing Reduction Proposals

The Governor's Budget proposes budget-balancing reductions for the 2008-09 Fiscal Year. Details of these reductions are found in the 2008-09 Section under "Budget Balancing Reduction Proposals." The following reductions to the Community Services Program, that total \$706,000 General Fund, will be implemented in 2007-08 resulting in current year savings:

- Reduce Community Placement Plan Operations by 10 Percent: \$660,000 General Fund savings in the 2007-08 Fiscal Year.
- Reduce Regional Center Operations for Health Insurance Portability and Accountability Act Implementation by 10 Percent: \$46,000 (\$23,000 General Fund) savings in the 2007-08 Fiscal Year.

2008-09

The Governor's Budget proposes 2008-09 funding for services and supports to persons with developmental disabilities in the community at \$3.8 billion (\$2.3 billion General Fund), an increase of \$141.6 million (\$119.8 million General Fund), or 3.9 percent, over the revised 2007-08 budget.

Caseload and Utilization Update

The Governor's Budget estimates a net increase of \$366.0 million¹ (\$259.1 million General Fund) for regional center operations and purchase of services in 2008-09 due to caseload increases and projected increase in consumers' utilization of services.

Increased Access to Mental Health Services

The Governor's Budget proposes an augmentation of \$0.7 million from the Mental Health Services Fund to increase access to mental health services for consumers with dual diagnoses of a developmental and mental health disability. Through the identification of best practice models and training, DDS will improve clinical capacity and effectiveness of direct services to these consumers.

¹ The scheduled sunset of cost containment measures is not reflected in this amount due to continuation of these measures through budget-balancing reductions.

Budget-Balancing Reduction Proposals

The Governor's Budget proposes budget-balancing reductions for the 2008-09 Fiscal Year across all state departments. These reductions will address the projected budget deficit to satisfy the constitutional balanced budget requirement.

The proposed reductions for the Community Services Program total \$380.8 million (\$261.6 million General Fund) and include:

- **Reduce Operations and Purchase of Service Costs through Ongoing Cost Containment Measures**

This proposal represents continuation of the regional center Operations and Purchase of Service cost containment measures enacted in the Budget Acts of 2003, 2004, 2005, 2006 and 2007. The cost containment measures will result in \$348.3 million (\$235.1 million General Fund) savings in 2008-09. Following is a list of the specific cost containment measures.

- Funds may not be expended for startup of any new non-Community Placement Plan program.²
- Rates for providers in specified service codes may not be renegotiated at a higher rate.²
- Service levels, and corresponding rates, for Community Care Facilities (CCF) may not be changed.²
- Cost-of-living adjustments for Supplemental Security Income and State Supplementary Payment Program (SSI/SSP) may not be passed through to CCF providers.
- Habilitation Services program rates (including Work Activity and Supported Employment programs) may not be increased.²
- Day, Work Activity and In-Home Respite programs with temporary rates may not obtain a permanent rate for services.
- Time allowed for assessment of new consumers is extended from 60 days to 120 days following initial intake.
- Caseload ratios for regional centers are increased from 1:62 to 1:66.

² Exceptions may be granted when a consumer's health or safety is at risk.

- **Freeze Negotiated Rates Not Currently Frozen and Establish Limits on Rates for New Providers**

This proposal freezes rates negotiated by regional centers for service codes not currently frozen through the existing cost containment measures. The proposal also establishes upper limits on the rates regional centers may negotiate for new providers of services. The upper limits are established for each service code using the median rate of the individual regional center or the statewide median rate, whichever is less. It is anticipated that this proposal will save \$18.3 million (\$14.2 million General Fund) in 2008-09.

- **Increase Savings through Family Cost Participation Program Redesign**

This proposal expands the current Family Cost Participation Program (FCPP) to assess a share of the cost of respite, day care, and camping services to parents of Early Start consumers. The Early Start program provides early intervention services to infants and toddlers with, or at risk of having, a developmental disability. The share of cost scale will also be expanded so families between 400 percent and 500 percent of the Federal Poverty Level (FPL) will pay 10 percent of the cost of these three services, and families at 2,000 percent and above of the FPL (currently \$343,000 for a family of three) will pay 100 percent of the cost of these services. This expansion will result in cost savings of \$0.8 million General Fund in 2008-09.

- **Reduce Rates for Supported Employment Services by 10 Percent**

This proposal will reduce the 24 percent rate increase received by providers of Supported Employment services in 2006-07, by 10 percent. Specifically, the rate for job coaching services will be reduced from \$34.24 to \$30.82 per hour, resulting in savings of \$9.6 million (\$7.7 million General Fund).

- **Rollback Devereux Maintenance Contract**

This proposal eliminates funding specifically provided through an augmentation in the 2000-01 Fiscal Year to provide support for the maintenance of services at a facility operated by Devereux of California. The facility has gradually reduced services to consumers and the supplemental funding can no longer be justified. This proposal will result in General Fund savings of \$1.2 million.

- **Reduction to Clients' Rights Advocacy Agreements by 10 Percent**

This proposal reduces the Department's clients' rights advocacy agreement by 10 percent. The provision of clients' rights services by an agency outside the Department of Developmental Services is required by statute. The existing five-year agreement with Protection and Advocacy Inc. will be reduced by \$0.5 million General Fund for the 2008-09 Fiscal Year.

- **Reduce Community Placement Plan Operations by 10 Percent**

This proposal will reduce the amount of funding for regional center operations under the Community Placement Plan (CPP) that provides dedicated funding to cover the costs of moving developmental center residents to the community and for deflection of individuals from developmental center admission. The proposal will save \$2.0 million General Fund in the 2008-09 Fiscal Year.

- **Reduce Regional Center Operations for Health Insurance Portability and Accountability Act Implementation by 10 Percent**

This proposal reduces existing funding for implementation of the Health Insurance Portability and Accountability Act (HIPAA) by 10 percent. The proposal will not significantly impact the regional centers' ability to meet their contractual requirements for HIPAA implementation. The proposal results in cost savings of \$141,000 (\$71,000 General Fund) in the 2008-09 Fiscal Year.

DEVELOPMENTAL CENTERS PROGRAM

2007-08 Updates

To provide services and supports to persons with developmental disabilities residing in five large developmental centers and two smaller state-operated community facilities, the Governor's Budget updates 2007-08 funding to \$754.7 million (\$414.6 million General Fund), a decrease of \$1.7 million (\$1.0 million General Fund) resulting from budget-balancing reductions.

Developmental Center Population Adjustments

The Governor's Budget includes an increase of \$1.3 million and 13 positions in the Current Year, including a transfer of \$0.7 million General Fund from the Community Services Program budget and an increase of \$0.6 million in reimbursements. This increase is due to consumers transitioning into the community more gradually than initially projected, increasing the average annual number of consumers from 2,610 to 2,620.

Current Year Implementation of Budget Balancing Reduction Proposals

As explained earlier, the Governor's Budget proposes budget-balancing reductions for the 2008-09 Fiscal Year. The following reductions to the Developmental Centers Program will be implemented in 2007-08 resulting in current year savings of \$1.7 million (\$1.0 million General Fund). Details of these reductions are found in the 2008-09 Section under "Budget Balancing Reduction Proposals."

- Reduce Client's Rights Advocacy and Volunteer Advocacy Agreements by 10 Percent: \$67,000 (\$39,000 General Fund) savings in the 2007-08 Fiscal Year.
- Reduce Quality Assurance Fees on Intermediate Care Facility for Developmentally Disabled (ICF-DD) by 10 Percent: \$1.4 million (\$.8 million General Fund) savings in the 2007-08 Fiscal Year.
- Reduce Office of Protective Services Staffing at the Porterville Developmental Center: \$310,000 (\$181,000 General Fund) savings in the 2007-08 Fiscal Year.

Employee Compensation and Retirement Contributions

The Governor's Budget augments, through a baseline adjustment, the Development Centers Program budget by \$36.5 million (\$25.0 million General Fund) in 2007-08 for increased employee compensation, health, and retirement benefits. Included in the employee compensation are adjustments for the Assembly Bill 756 and increases related to the "look alike" classes associated with the *Plata* lawsuit (California Department of Corrections and Rehabilitation.)

2008-09

The Governor's Budget proposes 2008-09 funding for services and supports to persons with developmental disabilities residing in four large developmental centers and two smaller state-operated community facilities at \$667.2 million (\$354.8 million General Fund), a reduction of \$87.6 million (\$59.8 million General Fund), or 11.6 percent, from the revised 2007-08 budget. The reduction is primarily driven by the closure of Agnews Developmental Center on June 30, 2008. The total number of positions proposed for the Developmental Centers Program in 2008-09 is 6,495.1, a net reduction of 838.0 positions from the revised 2007-08 budget.

Developmental Center Population

The Governor's Budget assumes an average of 2,449 residents in the developmental centers and state-operated community facilities, a decrease of 171 residents from the revised 2007-08 budget.

Sonoma Developmental Center – Fire Alarm Systems Upgrade

The Governor’s Budget includes a one-time augmentation of \$1.0 million General Fund to fund the preparation of preliminary plans for the purchase and installation of new fire alarm systems in buildings at the Sonoma Developmental Center. The current system, installed in the late 1970s and early 1980s, requires significant upgrades to continue the level of protection and reliability needed to ensure the health and safety of consumers and staff.

Porterville Developmental Center – Secure Treatment Program

The Governor’s Budget includes a one-time augmentation of \$600,000 General Fund to purchase external perimeter security cameras for the existing Secure Treatment Program (STP).

Employee Compensation and Retirement Contributions

The Governor’s Budget augments, through a baseline adjustment, the Developmental Centers Program budget by \$39.1 million (\$26.6 million General Fund) in 2008-09 for increased employee compensation, health, and retirement benefits. Included in the employee compensation are adjustments for the Assembly Bill 756 and increases related to the “look alike” classes associated with the *Plata* lawsuit (California Department of Corrections and Rehabilitation.)

Budget Balancing Reduction Proposals

As explained earlier, the Governor’s Budget proposes budget-balancing reductions for the 2008-09 Fiscal Year across all state departments. The proposed reductions for the Developmental Centers Program total \$29.4 million (\$22.1 million General Fund) and include:

- **Porterville Developmental Center’s Secure Treatment Program**

This proposal caps the resident population of the Porterville Developmental Center’s Secure Treatment Program at its current level and it will not expand upon the completion of construction of new residential facilities. The savings from reduced staffing and associated costs are approximately \$11.7 million General Fund in 2008-09 and \$12.5 million annually thereafter.

- **Reduce Regional Resource Developmental Projects Staffing and Operating Costs**

This proposal reduces the Regional Resource Development Projects (RRDP) by 12 positions and all associated Operating Expenses and Equipment (OE&E) costs for two offices, resulting in savings of \$1.1 million (\$0.7 million General Fund) in the 2008-09 Fiscal Year. Currently, RRDP offices are located at each of the five developmental centers, with additional offices in Stockton and Westlake Village. The Stockton (Delta RRDP) and Westlake Village (Westlake RRDP) offices primarily served the Stockton and Camarillo Developmental Centers before closure, and now support consumers residing in their geographic areas and RRDP offices associated with the remaining developmental centers and community facilities. These two RRDP offices, no longer situated on the grounds of a developmental center, will be closed.

- **Reduce Client's Rights Advocacy and Volunteer Advocacy Agreements by 10 Percent**

This proposal reduces the Department's clients' rights advocacy and volunteer advocacy agreements by 10 percent. The provision of clients' rights services by an agency outside the Department of Developmental Services is established in statute. The existing five-year agreement with the State Council on Developmental Disabilities will be reduced by \$204,000 (\$119,000 General Fund) for the 2008-09 Fiscal Year.

- **Reduce Quality Assurance Fees on Intermediate Care Facility for Developmentally Disabled**

This proposal reduces the assessment of Quality Assurance fees paid by the Department for operating Intermediate Care Facilities for the Developmentally Disabled (ICF-DD). The Department of Health Care Services assesses these fees in accordance with Health and Safety Code Sections 1324 through 1324.14. The Quality Assurance fee is applicable to all of the ICF-DD programs in the state-operated developmental centers and community facilities. The reduction does not impact services as the June 30, 2008 closure of Agnews Developmental Center would reduce the costs upon which the fees are based. The reduction will result in a savings of \$4.2 million (\$2.3 million General Fund) in the 2008-09 Fiscal Year.

- **Reduce Office of Protective Services Staffing at the Porterville Developmental Center**

This proposal reduces staffing in the Porterville Developmental Center's Office of Protective Services (OPS) by 13 Peace Officer I positions. Currently, the OPS in Porterville has 127 positions to address their responsibility for the security of residents in the Secure Treatment Program at the Porterville Developmental Center. This reduction will be achieved through elimination of vacant positions and will not

affect the safety and security of residents, staff and visitors at the state-operated developmental centers and community facilities. The reduction results in savings of \$938,000 (\$547,000 General Fund) in the 2008-09 Fiscal Year.

- **Reduce Developmental Centers Program Operating Expenses and Equipment**

This proposal reduces OE&E budget within the Developmental Centers Program, resulting in savings of \$10.2 million (\$5.9 million General Fund) in the 2008-09 Fiscal Year. The Department operates facilities providing active treatment to individuals with developmental disabilities through residential and day programs, and other professional and support services. The reduction to the OE&E budget will include the following:

- Reductions in travel, contracts and equipment.
- Deferment of purchases, preventive maintenance and repairs.
- Elimination of funding to do a feasibility study as a first step toward procuring a health information system. The feasibility study will not occur until funding is budgeted for this purpose in the future.
- Elimination of the cost-of-living adjustment that is calculated at 2.4 percent of the adjusted OE&E base.
- Reduction of HIPAA expenditures.

- **Reduce Proposition 98 Funding**

This proposal reduces Proposition 98 General Fund support of county contracts that cover consumers under the age of 21 who attend community schools and Department contracts with community colleges. The reduction will save \$913,000 General Fund in the 2008-09 Fiscal Year.

CLOSURE OF AGNEWS DEVELOPMENTAL CENTER

(Funding included in Community Services and Developmental Centers amounts above.)

Due to the closure of the Agnews DC, effective June 30, 2008, the 2008-09 budget includes a decrease of \$62.1 million (\$38.7 million General Fund) from the 2007-08 Budget Act. The decrease also includes the reduction of 819 positions at Agnews DC. Correspondingly, the Regional Centers budget projects an increase of \$19.8 million (\$2.4 million General Fund) for the costs of providing services to the additional 204 consumers in the community.

In addition to the decrease, the 2008-09 budget will retain \$4.0 million (\$192,000 General Fund, \$3.8 million Reimbursements) and 24 positions to provide medical, dental and other professional services through a Primary Care Clinic to individuals residing in the community, primarily former residents of Agnews DC.

DEVELOPMENTAL CENTERS CAPITAL OUTLAY

(Funding not included in the Budget Highlights total)

Fairview Developmental Center

The Capital Outlay budget includes \$2.7 million General Fund to implement the construction phase for purchase and installation of a new personal alarm locating system (PALS), \$2.2 million General Fund to implement the construction phase for the installation of air conditioning for the Goodell School and Activity Center, and \$0.6 million General Fund to prepare preliminary plans to upgrade the fire alarm system. The PALS will be installed throughout the Center and at outdoor areas for the safety of employees and consumers. The air conditioning system will promote better health and safety for consumers. The fire alarm system will bring Fairview into code compliance.

Porterville Developmental Center

The Capital Outlay budget includes \$18 million General Fund to implement the construction phase for renovation of 24 satellite kitchens and dining rooms, and \$3.2 million General Fund to implement the construction phase for PALS upgrade. The satellite kitchen project will remodel 24 satellite kitchens/dining rooms in the residences to bring these facilities into Health and Safety Code compliance. The PALS upgrade will be installed in Buildings 7 through 18 of the existing Secure Treatment Program (STP). The project will also expand coverage of the PALS to the outdoor areas in the STP.

Sonoma Developmental Center

The Capital Outlay budget includes \$0.3 million General Fund to prepare preliminary plans to install medical gases/oxygen piping in the Johnson/Ordahl building. The medical gases/oxygen piping project will provide local outlets, more efficient care for each medically-fragile consumer, and ensure staff safety.

HEADQUARTERS

2007-08 Updates

In support of the Community Services and Developmental Center Programs, the Governor's Budget updates the 2007-08 Fiscal Year funding for Headquarters operations to \$40.7 million (\$26.8 million General Fund), a decrease of \$215,000 (\$119,000 General Fund) resulting from budget-balancing reductions.

Current Year Implementation of Budget Balancing Reduction Proposals

As explained earlier, the Governor's Budget proposes budget-balancing reductions for the 2008-09 Fiscal Year. The following reductions to the Headquarters operations, that total \$215,000 (\$119,000 General Fund), will be implemented in 2007-08 resulting in current year savings. Details of these reductions are found in the 2008-09 Section under "Budget Balancing Reduction Proposals."

- Reduce Regional Center Fiscal Audits Program: \$23,000 General Fund savings in the 2007-08 Fiscal Year.
- Reduce Vendor Fiscal Audits Program: \$192,000 (\$96,000 General Fund) savings in the 2007-08 Fiscal Year.

2008-09

The Governor's Budget proposes 2008-09 funding for Headquarters operations at \$40.1 million (\$26.5 million General Fund), a net decrease of \$0.6 million (\$0.2 million General Fund) and 17.6 positions from the revised 2007-08 budget.

Increased Access to Mental Health Services

As a companion to the Community Services Program proposal, the Governor's Budget includes three positions and \$378,000 from the Mental Health Services Fund to identify best practice models and provide training to enhance the effectiveness of the regional center and county mental health service systems to better identify and provide a competent response for those consumers with developmental and mental health disabilities.

Budget-Balancing Reduction Proposals

As explained earlier, the Governor's Budget proposes budget-balancing reductions for the 2008-09 Fiscal Year across all state departments. The proposed reductions for Headquarters operations include:

- **Reduce Information Systems Division Expenditures and Staffing**

This proposal reduces Information Systems Division expenditures and staffing by six positions. The Information Systems Division provides support to Headquarters staff for mainframe, application, network, Web and training needs. Costs associated with the Department of Technology Services (DTS) interagency agreement will be reduced by decreasing the amount of required storage, providing in-house education, streamlining of processes, and reducing Web costs by providing increased Web support in house. In addition, the DTS interagency agreement for Network Consulting will not be renewed. The proposal will save \$720,000 (\$540,000 General Fund) in the 2008-09 Fiscal Year.

- **Reduce Developmental Centers Division Headquarters Positions**

This proposal reduces the Developmental Center Division (DCD) staffing by three positions. The DCD provides central administrative and clinical management services to the five developmental centers and two state-operated community facilities to ensure the quality of services, compliance with state licensing and federal certification requirements, and attainment of quality assurance standards. The areas of responsibility include the development of policy and procedures for all aspects of the Developmental Centers Program operations and compliance with professional clinical standards in providing effective care, treatment and habilitation training for persons with developmental disabilities. The proposal results in savings of \$295,000 (\$148,000 General Fund) in the 2008-09 Fiscal Year.

- **Reduce Office of Clinical Services**

This proposal reduces the Office of Clinical Services by two positions. Currently, the Office of Clinical Services consists of two Psychologists and a Physician. These positions provide consultative services to the Children and Family Services Branch, and other divisions within the Department, as needed. The Physician liaisons with the Association of Regional Center Agencies' physicians and clinical directors as well as with the University of California Medical Schools, with which the Department contracts for training. The Psychologist positions focus on the Department's Autistic Spectrum Disorders Initiative. The proposal eliminates one Psychologist and the Physician positions, resulting in a savings of \$255,000 (\$128,000 General Fund) in the 2008-09 Fiscal Year.

- **Reduce Community Placement Plan Support**

This proposal reduces Community Placement Plan (CPP) Headquarters staffing by two positions. The CPP staff at Headquarters negotiates and monitors the regional center CPPs. In planning for the June 30, 2008 closure of Agnews Developmental Center, the three Bay Area regional centers have had a unified plan that has created additional workload absorbed by Headquarters staff. With the closure of Agnews Developmental Center, the increased workload will cease to exist. The elimination of

two positions will result in a savings of \$158,000 (\$80,000 General Fund) in the 2008-09 Fiscal Year.

- **Reduce Audit Appeal Position through Redesign of the Process**

This proposal eliminates the Department's audit appeals review officer position. Fiscal audit appeals are required by statute and implemented through applicable Title 17 regulations. Under this reduction proposal, the Department would redesign the administrative appeals process, absorb the resulting workload, and eliminate the current independent appeals review officer position, resulting in a savings of \$88,000 (\$46,000 General Fund) in the 2008-09 Fiscal Year.

- **Reduce Operating Expenses and Equipment**

This proposal represents an unallocated reduction of \$1.4 million General Fund to the operating expense budget of the Department. An identification of the particular items will be determined by establishing tighter controls over travel, training, printing, general expense, communication and other expenses in the 2008-09 Fiscal Year.

- **Reduce Regional Center Fiscal Audits Program**

This proposal reduces two auditor positions that perform fiscal audits of regional center operations. Under the Home and Community Based-Services (HCBS) Waiver, the Department receives \$839 million in federal funds. The reduction will be absorbed by doing more targeted risk-based audits of regional center practices that are most important to complying with HCBS Waiver requirements. As part of the requirements for the receipt of the HCBS Waiver funds, the Department is responsible for performing fiscal audits upon each of the twenty-one regional centers "no less than every two years" and completing "follow-up reviews of each regional center in alternate years." The Department's fiscal audits are designed to ensure comprehensive fiscal accountability. It is proposed that two vacant positions of the 17 staff that perform the regional center fiscal audits be eliminated, for savings of \$142,000 (\$71,000 General Fund) in the 2008-09 Fiscal Year.

- **Reduce Vendor Fiscal Audits Program**

This proposal reduces eight auditor positions that perform audits of regional center vendors. In response to recommendations from the Legislative Analyst's Office in its 2004-05 analysis of the budget, the Department created a Vendor Audit Section to perform fiscal audits of vendors that provide services to regional center consumers. This was achieved by shifting funding and partial responsibility for performing the vendor audits from the regional centers to the Department. As a result, a dual audit approach was established in which the Department performs audits upon the larger vendors that receive over \$100,000 in annual purchase of services (POS), and the regional centers perform audits upon vendors that receive \$100,000 or less in annual POS. There are a total of 17 positions that perform the vendor audits. It is

proposed that eight of the 17 positions that perform vendor audits be eliminated, for a savings \$582,000 (\$291,000 General Fund) in the 2008-09 Fiscal Year. The Department will minimize impacts by examining whether a targeted, risk-based audit program will produce the same outcomes.

**DEPARTMENT OF DEVELOPMENTAL SERVICES
2008-09 GOVERNOR'S BUDGET**

(Dollars in Thousands)

	2007-08 Estimated Expenditures	2008-09 Governor's Budget	Difference	Percent Change
Community Services Program				
Regional Centers	\$3,636,670	\$3,778,261	\$141,591	3.9%
<i>Operations</i>	502,714	524,983	22,269	4.4%
<i>Purchase of Services</i>	3,133,956	3,253,278	119,322	3.8%
Early Intervention Program	20,095	20,095	0	0.0%
Totals, Community Services	\$3,656,765	\$3,798,356	\$141,591	3.9%
General Fund	\$2,222,421	\$2,342,220	\$119,799	5.4%
PTA	128,806	140,899	12,093	9.4%
PDF	1,075	1,147	72	6.7%
Federal Trust Fund	52,584	75,076	22,492	42.8%
Reimbursements	1,251,879	1,238,274	-13,605	-1.1%
Mental Health Services Fund	0	740	740	-
Developmental Centers Program				
Personal Services	\$596,349	\$536,962	-\$59,387	-10.0%
Operating Expense & Equipment	158,425	130,200	-28,225	-17.8%
Total, Developmental Centers	\$754,774	\$667,162	-\$87,612	-11.6%
General Fund	\$414,607	\$354,836	-\$59,771	-14.4%
Federal Trust Fund	620	554	-66	-10.6%
Lottery Education Fund	563	563	0	0.0%
Reimbursements	338,985	311,209	-27,776	-8.2%
Headquarters Support				
Personal Services	\$32,918	\$31,991	-\$927	-2.8%
Operating Expense & Equipment	7,782	8,106	324	4.2%
Total, Headquarters Support	\$40,700	\$40,097	-\$603	-1.5%
General Fund	\$26,757	\$26,532	-\$225	-0.8%
Federal Trust Fund	2,345	2,351	6	0.3%
PDF	280	280	0	0.0%
Reimbursements	11,319	10,557	-762	-6.7%
Mental Health Services Fund	0	378	378	100.0%
Totals, All Programs	\$4,452,239	\$4,505,615	\$53,376	1.2%
Total Funding				
General Fund	\$2,663,785	\$2,723,588	\$59,803	2.2%
Federal Trust Fund	55,549	77,981	22,432	40.4%
Lottery Education Fund	563	563	0	0.0%
PTA	128,806	140,899	12,093	-
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Developmental Centers	2,620	2,449	-171	-6.5%
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Authorized Positions				
Developmental Centers	7,333.1	6,495.1	-838.0	-11.4%
Headquarters	400.1	382.5	-17.6	-4.4%