



CALIFORNIA ASSOCIATION FOR THE RETARDED

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June 9, 2004

Senator Wesley Chesbro, Chair
Senators Dede Alpert and Ross Johnson
Assembly Members Darrell Steinberg, Judy Chu, Rick Keene
Budget Conference Committee
State Capitol
Sacramento, California 95814

CAR Position on Developmental Disability Services Budget Item 4300 - Department of Developmental Services

Dear Member of the Budget Conference Committee:

The California Association for the Retarded, a statewide parent/family organization with 12 local units, asks that you support several funding changes in the Department of Developmental Services' (DDS) proposed budget for 2004-05 as identified below.

- **Apply the same budget standards to community providers funded through regional centers that you apply to many other state programs.**

During the past few years, the developmental disabilities system of community providers has had to withstand rate freezes, spending reductions, and other budget actions that would curtail the rate of program growth. Patterns of spending indicate these measures have been effective. The Governor's budget, however, again contains proposals intended to restrict spending for regional center clients who live in the community.

We must express our frustration at the fact that the Governor and the Legislature continue to apply budget restrictions to regional center spending, even though they have failed to apply these same restraints to many other state programs. For example, the Department of Corrections' spending per inmate has gone from \$22,000 in fiscal year 1999-00 to \$33,000 as projected for the 2004-05 fiscal year.

- **Treat nonprofit community employees who provide state-funded regional center services the same as you do other state employees.**

Many public employees, including state, local or school employees, work under contracts that provide for automatic salary increases and adjustments as well as greater employer obligations for benefits such as health care and retirement. In addition, state correctional officers' pay is linked to contract increases provided for other state and local law enforcement officers.

The State and too many local governments have adopted this practice of "budgeting on

automatic pilot.” This fails to take into account the state’s overall financial condition and long-term availability of financial resources. It also fails to take into account how these actions will limit spending for programs, such as regional centers, that have no such fiscal guarantees. In years when the fiscal situation is so tight, the result of providing one segment of state government with such generous allocations can only mean that other segments will have to pull their belts a little tighter. Thus, we are very supportive of those members of the Legislature who have called for the Administration to reopen the correctional officers’ contract and rescind the projected 11 percent pay increase, which simply is not affordable given our current state budget crisis.

We are not suggesting that these employees are overpaid or that they do not deserve the salaries and benefits afforded to them. Our point is that when it comes to dividing up the state pie for the next fiscal year, greater attention should be given to those community workers who have not been targeted for such increases. Instead, many of these workers receive less than a living wage, may receive no retirement benefits beyond Social Security, and may receive only basic health care (such as coverage for the employee but not for family members).

In last year’s May revision, the administration added \$1.8 million to the \$600 million budget for day program providers to be used toward the cost of mandated higher workers’ compensation premiums. While we acknowledge that every additional dollar helps, we must point out that the \$1.8 million fell far short of actual increases in provider premiums experienced by program operators. Providers instead have tried to rely on fund-raising and pay cuts in an effort to cover over the glaring gaps in levels of state support. Now, however, providers have exhausted those options, and many face service reductions and program consolidation or closure. This is neither fair nor equitable. We recommend that the State use the same standards for granting increases for salaries, benefits or workers compensation costs for workers in other state programs to workers who provide regional center services in the community.

- **Reject any unallocated reduction to regional centers because program savings from the current year have been much higher than anticipated.**

The Administration proposes to implement regional center purchase of service standards in 2004-05, by means of emergency regulations. This would result in savings of approximately \$12 million as projected in the May revision. The Senate and Assembly budget committees as well as the Budget Conference Committee have both rejected the purchase of service standards. The budget also proposes to maintain rates, cuts and freezes at current levels.

The Governor’s May revision projects a current year savings for regional centers of \$68 million as a result of unallocated reductions and other cost-reducing adjustments. This savings is much higher than anticipated, and we understand the total amount may be higher than that. In light of these projected savings, we object to the continued imposition of even further unallocated reductions to regional center service budgets. We recommend the Administration provide the Legislature with the most recent estimates of program

savings in the current and budget years before you take final action on the regional center budget item.

- **Redirect \$500 million funds from the Department of Corrections to community programs administered by the Departments of Developmental Services and Mental Health (DMH).**

It is in the state's interest to enact a budget that allocates funds to meet not only its statutory obligations but best meets its societal needs as well. One way to do this is to allocate funds to those programs that have demonstrated their effectiveness in dealing with targeted groups.

We all are aware of the operational problems of the state's prisons and the shortcomings of the state's parole system. A November 2003 report by the Little Hoover Commission states that the system "costs more than it should and it does not provide the public safety it could." Community programs that serve people with developmental disabilities and/or people with mental illness are more cost-effective in preventing individuals with one or both of these diagnoses from entering the correctional system for the first time or returning to the system.

We believe that the state should support those programs that have demonstrated their public worth with adequate funds. We therefore recommend that the State redirect \$500 million, to be divided equally among community-based programs administered by the Department of Mental Health (DMH) and DDS. We further recommend the addition of budget language that would make allocations contingent on the development and submissions of service plans, including criteria for assessing outcomes. In this way, we can see how successful these programs are in doing what they were set up to accomplish.

- **In the meantime, retain a portion of \$500 million in federal funds received by California through the Medicaid Home and Community-based Waiver to reduce or eliminate cuts and freezes.**

Regional center clients use many generic health and social services that are supported in full or in part from the state General Fund. In recent years, however, California has successfully applied to obtain more federal dollars for some of these services, using the Medi-Cal Home and Community-Based Waiver. Rather than use these new federal dollars to supplement regional center services, however, the state has chosen to replace state dollars with federal dollars and to redirect the "freed up" state funds to the General Fund. While community programs are experiencing cuts and freezes, and other program constraints, we believe the additional revenue from the Waiver should be utilized to reduce or eliminate cuts and freezes.

As of July 1, 2004, as a result of enacted legislation, the Department of Rehabilitation will transfer responsibility for work activity programs (WAPs) and supported employment to DDS. WAPs are nonprofit organizations that provide work experience and work-related services to about 12,000 people with developmental disabilities, typically in a sheltered

workshop environment. WAP rates are frozen at 1998-99 cost statements. WAP rates were further reduced by 5 percent effective July 1, 2003.

Parents whose children rely on these and other services are acutely aware of the struggles these programs have endured as a result of inadequate rates. Many are struggling to avoid layoffs but are having trouble paying for the cost of providing services and avoiding the departure of competent staff because of noncompetitive wages.

At a time when community service providers are struggling to operate, we are remiss if we do not use the federal dollars generated by regional center clients to underwrite and shore-up regional center services. We therefore recommend that a portion of federal waiver money be retained in the regional center system for provider rate increases. We further recommend that first priority for these funds be given to emergency rate increases for those work activity and other regional center-funded programs that are in imminent danger of reducing services or closing.

Thank you for your consideration of these comments. If you have any questions regarding CAR's proposal, please contact Maureen Fitzgerald at (916) 498-1635.

Sincerely,

Marion Lieberman, President