

Dear Governor Newsom,

Through the Lanterman Act, California provides services and supports to over 330,000 individuals with intellectual and developmental disabilities (I/DD). The State has made a legal and moral commitment to fund the services and supports necessary to allow full, integrated lives for these individuals.

Unfortunately, inadequate rates for services to this population threaten to undermine the core promise of the Lanterman Act. Immediate action is required to stabilize the developmental disability system and ensure that the state is meeting its obligation to provide services to eligible individuals.

As you are aware, at the direction of the Legislature, the Department of Developmental Services has completed a rate study to address the sustainability and quality of community-based services for Californians with I/DD. The draft report, released on March 15, 2019, concluded that developmental services in California are underfunded *\$1.8 billion (\$1.1 billion General Fund)*. The specific recommendations from the rate study need to be fully discussed and reviewed, and we are concerned that timing will not allow for the full consideration of the recommended reforms to the rates and the rate structure in the discussions for the FY 2019-20 budget.

Therefore, as the FY 2019-20 Budget is being negotiated, we propose a “down payment” on the rate study to address the crisis in community services, sufficiently stabilize the system, and provide a less fragile foundation on which to implement broader reforms.

To stabilize the system, approximately \$290 million General Fund is required, which represents an 8 percent across-the-board increase in provider reimbursement rates. This appropriation would also yield nearly \$200 million in federal matching funds, providing an initial investment in the restoration of the system and illustrate our continued commitment to invest the full \$1.8 billion so that all Californians with I/DD will receive the services and supports necessary to live full, integrated lives.

Rate freezes and the overall inadequacy of the rate structure are causing program closures, waiting lists for services, staff turnover and shortages, and lack of choice and access for Californians with developmental disabilities. The current rates result in consumers going without necessary services as there is an inadequate pool of providers to deliver the needed services. The Budget bears evidence of this reality, as the system is unable to fully spend appropriated Purchase of Service dollars on needed services, because providers cannot offer services at the rates the regional centers are authorized to pay. This harms individuals with developmental disabilities and violates the promise of the Lanterman Act.

Over the past two decades, rates for services have only been increased twice, and lag far behind the increased cost of doing business. The Consumer Price Index for California has increased more than 8 percent since the Legislature and the Governor approved a wage and benefit pass through for direct service workers in 2016 (ABX2-1) in an effort to stabilize the system. Wage growth has increased even more dramatically at over 12 percent and is the number one cost driver for developmental services. The passage of SB 3 all but erased the expected long-term

benefits of ABX2-1 as rates were not adjusted to allow providers to address compression for experienced employees. Under the current rates, service providers are unable to offer competitive wages to direct service staff, resulting in reduced hiring qualifications and risking the quality of services provided to individuals with I/DD. Without the requested relief, there is no doubt that we will continue to ask direct service professionals to perform complex, important work for no more than the minimum wage.

Last year, the Legislature and Governor appropriated \$25 million for “Bridge Funding” to address cost pressures in high cost areas in recognition of the extraordinary cost of living increases in California’s major population centers. The Department of Developmental Services has developed a plan to provide those one-time increases to service providers, but the relief is still awaiting Federal approval and only a small subset of service providers will be eligible to receive the increase.

This budget request for an 8 percent across-the-board rate increase would provide more comprehensive relief as a down payment to stabilize the system as we embark on what we expect will be a multiyear effort to fully review and effectuate rate study recommendations. The State must recognize its role in providing adequate rates to ensure services are maintained for the more than 330,000 individuals in the system as we consider more significant reforms.

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

Sincerely,