

**ASSEMBLY BILL**

**No. 1565**

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**Introduced by Assembly Member Lackey**

**(Principal coauthors: Assembly Members Baker, Chávez, Grove,  
Linder, Patterson, and Wilk)**

**(Principal coauthor: Senator Stone)**

**(Coauthors: Assembly Members Achadjian, Bigelow, Maienschein,  
and Mayes)**

January 4, 2016

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An act to amend Sections 4629.7, 4681.1, 4681.6, 4689.8, 4691.9, and 4860 of, and to add Sections 4519.8, 4681.2, 4690.7, 4793, and 4794 to, the Welfare and Institutions Code, relating to developmental services, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1565, as introduced, Lackey. Developmental services: funding.

The Lanterman Developmental Disabilities Services Act requires the State Department of Developmental Services to contract with regional centers to provide services and supports to individuals with developmental disabilities. Under existing law, the regional centers purchase needed services for individuals with developmental disabilities through approved service providers or arrange for those services through other publicly funded agencies.

This bill would require the department to submit a plan to the Legislature by August 1, 2017, to ensure the sustainability, quality, and transparency of community-based services for individuals with developmental disabilities. The bill would require the department to regularly consult with stakeholders in developing the plan and would require the plan to address specified topics, including, among others,

recommendations for a comprehensive approach to funding regional center operations in a sustainable and transparent manner that enables regional centers to deliver high-quality services to consumers.

Existing law requires that contracts or agreements between regional centers and service providers in which the rates between the regional center and the service provider are determined through negotiations to ensure that not more than 15% of regional center funds be spent on administrative costs, as described.

This bill would instead provide that the percentage of the funds that may be spent on administrative costs varies depending on the total value, annually, of the payments received by a service provider from all regional centers.

Existing law establishes specified rates to be paid to certain service providers and the rates to be paid for certain developmental services. Existing law requires that rates to be paid to other developmental service providers either be set by the department or negotiated between the regional center and the service provider. Existing law prohibits certain provider rate increases, but authorizes increases to those rates as necessary to adjust employee wages to meet the state minimum wage law.

This bill would increase the rates established by existing law, as specified, and would require an increase to the rates set by the department and the rates negotiated between regional centers and service providers, as specified. The bill would also require the department, when setting rates for community care facilities serving people with developmental disabilities, to ensure that the rates permit the viability of those facilities by establishing different rates for each facility size, as determined by the number of beds available, that reflect reasonable differences in the cost structure of facilities with differing numbers of beds. The bill would require the department to adopt emergency regulations implementing that provision.

Existing law requires each regional center to submit, on or before August 1 of each year, to the department and the State Council on Developmental Disabilities a program budget plan for the subsequent budget year. Existing law provides that, to the extent feasible, all funds appropriated for developmental disabilities programs be allocated to those programs by August 1 of each year and designates the department as the agency responsible for the processing, audit, and payment of funds made available to regional centers.

This bill would require the department to increase the funding paid to a regional center for the regional center’s operating budget, beginning July 1, 2016, by 10% above the amount the regional center otherwise would have received under the department’s core staffing formula, and, beginning July 1, 2017, by 10% above the amount the regional center otherwise would have received under the department’s core staffing formula, plus a percentage equal to the percentage of any increase in the California Consumer Price Index since July 1, 2016. The bill would also require the department to increase the funding provided to a regional center to enable the regional center and the regional center’s purchase-of-service vendors to fund certain costs related to minimum wage requirements.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. (a) The Legislature finds and declares all of the  
2 following:

3 (1) California’s vision to promote fulfilling lives for persons  
4 with developmental disabilities launched in 1969 with the passage  
5 of the Lanterman Developmental Disabilities Services Act,  
6 authored by Assembly Member Frank Lanterman and signed by  
7 Governor Ronald Reagan. However, the Lanterman Act’s vision  
8 is now threatened by neglect of the community service system and  
9 wasteful spending on outdated state institutions.

10 (2) The current funding system for regional center operations  
11 and for community-based services is inadequate and outdated. The  
12 funding currently provided has not kept pace with the cost of  
13 delivering high-quality services. Funding formulas and ratesetting  
14 methods are archaic and ill-suited to promote an effective and  
15 efficient community system that delivers high-quality services to  
16 consumers.

17 (3) The result of inadequate funding for community services  
18 and onerous requirements on providers can be seen in the decline  
19 of the number of vendors serving the community. As documented  
20 in the January 2015 Fact Book issued by the State Department of  
21 Developmental Services, the number of vendors declined by 30

1 percent from 2009–10 to 2013–14, inclusive, despite an increase  
2 of 12 percent in the number of consumers served in the community.  
3 The Association of Regional Center Agencies also reports that 435  
4 licensed residential homes and 57 day and work programs have  
5 closed since July 2011.

6 (4) California must recommit itself to vibrant and sustainable  
7 community services that maximize opportunities for persons with  
8 developmental disabilities to thrive in their own neighborhoods.

9 (5) It is imperative that the Legislature take action to ensure the  
10 viability of the community service system by paying sustainable  
11 reimbursement rates, streamlining requirements for community  
12 service providers, and fairly funding the regional center system to  
13 administer services.

14 (b) Accordingly, it is the intent of the Legislature to enact  
15 short-term increases in reimbursement rates for community services  
16 providers while undertaking a stakeholder process with specific  
17 deadlines to develop and implement long-term reforms to  
18 accomplish these goals. It is also the intent of the Legislature to  
19 establish requirements for greater regional center transparency  
20 with respect to rates paid to vendors and the amount and type of  
21 services provided to consumers across the spectrum of regional  
22 center services. It is further the intent of the Legislature that the  
23 provisions added by this act only remain in place until a revised,  
24 comprehensive rate system that provides adequate and transparent  
25 funding for community-based services, including supported  
26 employment, is implemented.

27 SEC. 2. Section 4519.8 is added to the Welfare and Institutions  
28 Code, immediately following Section 4519.7, to read:

29 4519.8. (a) The department shall submit a plan to the  
30 Legislature to ensure the sustainability, quality, and transparency  
31 of community-based services for individuals with developmental  
32 disabilities. The department shall regularly consult with  
33 stakeholders in developing the plan. The department shall submit  
34 the plan to the Legislature by August 1, 2017. The plan shall  
35 include, but not be limited to, all of the following:

36 (1) An assessment of the effectiveness of the methods used to  
37 pay each category of community service provider. This assessment  
38 shall include consideration of the following factors for each  
39 category of service provider:

1 (A) Whether the current method of ratesetting for a service  
2 category is ensuring an adequate supply of providers in that  
3 category, including, but not limited to, whether there is a sufficient  
4 supply of providers to enable a consumer to have a choice of  
5 providers.

6 (B) A comparison of the likely fiscal effects of using the  
7 following methodologies for each service provider category:

8 (i) Negotiated rates, which may be limited to regional medians  
9 or other limits.

10 (ii) Rates established through regulations on either a statewide  
11 or regionally adjusted basis.

12 (iii) Alternate rate methodologies that may use combinations  
13 of negotiated or regulatory rates on either a statewide or regionally  
14 adjusted basis.

15 (2) An evaluation of the appropriateness of the number and type  
16 of service codes for regional center services, including, but not  
17 limited to, recommendations for making service codes more  
18 reflective of the level and type of services provided and for  
19 reducing the number and type of services that are billed with a  
20 service code of “Miscellaneous.”

21 (3) Recommendations for a comprehensive purchase-of-services  
22 rate structure that would ensure a sustainable, high-quality, and  
23 transparent community services system.

24 (4) An assessment of the adequacy of the number and locations  
25 of regional centers for providing timely service to consumers. This  
26 assessment shall consider, at a minimum, all of the following  
27 factors:

28 (A) The waiting time for consumers to obtain appointments  
29 with regional center personnel.

30 (B) The distance consumers must travel for in-person meetings  
31 with regional center personnel.

32 (C) The type and frequency of interactions between consumers  
33 and regional center personnel that can be accommodated remotely  
34 through electronic means, including, but not limited to, electronic  
35 mail, video conferencing, or telehealth.

36 (D) Whether the number of consumers and the geographic size  
37 of the catchment area served by each regional center are reasonable  
38 for delivering high-quality service to consumers and their families.

39 (E) Whether additional regional centers or regional center  
40 locations are necessary to address any identified deficiencies in

1 access to regional center personnel, or whether technology-enabled  
2 means of access or other solutions are warranted.

3 (5) Recommendations for a comprehensive approach to funding  
4 regional center operations in a sustainable and transparent manner  
5 that enables regional centers to deliver high-quality services to  
6 their consumers, including, but not limited to, recommendations  
7 and estimated costs for increasing the number of regional centers  
8 or altering catchment areas.

9 (b) The report submitted to the Legislature pursuant to  
10 subdivision (a) shall be submitted in compliance with Section 9795  
11 of the Government Code.

12 SEC. 3. Section 4629.7 of the Welfare and Institutions Code  
13 is amended to read:

14 4629.7. (a) Notwithstanding any other ~~provision of law~~, all  
15 regional center contracts or agreements with service providers in  
16 which rates are determined through negotiations between the  
17 regional center and the service provider shall expressly require  
18 that not more than ~~15 percent of regional center funds be spent on~~  
19 ~~administrative costs.~~ *For the amount of funds specified in*  
20 *paragraphs (1) to (3), inclusive, be spent on administrative costs.*

21 (1) *For service providers who receive payments from one or*  
22 *more regional centers totaling two million dollars (\$2,000,000)*  
23 *or more annually from those regional centers, 15 percent of*  
24 *regional center funds.*

25 (2) *For service providers who receive payments from one or*  
26 *more regional centers totaling less than two million dollars*  
27 *(\$2,000,000), but more than five hundred thousand dollars*  
28 *(\$500,000), annually from those regional centers, 20 percent of*  
29 *regional center funds.*

30 (3) *For service providers who receive payments from one or*  
31 *more regional centers totaling five hundred thousand dollars*  
32 *(\$500,000) or less annually from those regional centers, 25 percent*  
33 *of regional center funds.*

34 (b) For purposes of this subdivision, direct service expenditures  
35 are those costs immediately associated with the services to  
36 consumers being offered by the provider. Funds spent on direct  
37 services shall not include any administrative costs. Administrative  
38 costs include, but are not limited to, any of the following:

39 (1) Salaries, wages, and employee benefits for managerial  
40 personnel whose primary purpose is the administrative management

1 of the entity, including, but not limited to, directors and chief  
2 executive officers.

3 (2) Salaries, wages, and benefits of employees who perform  
4 administrative functions, including, but not limited to, payroll  
5 management, personnel functions, accounting, budgeting, and  
6 facility management.

7 (3) Facility and occupancy costs, directly associated with  
8 administrative functions.

9 (4) Maintenance and repair.

10 (5) Data processing and computer support services.

11 (6) Contract and procurement activities, except those provided  
12 by a direct service employee.

13 (7) Training directly associated with administrative functions.

14 (8) Travel directly associated with administrative functions.

15 (9) Licenses directly associated with administrative functions.

16 (10) Taxes.

17 (11) Interest.

18 (12) Property insurance.

19 (13) Personal liability insurance directly associated with  
20 administrative functions.

21 (14) Depreciation.

22 (15) General expenses, including, but not limited to,  
23 communication costs and supplies directly associated with  
24 administrative functions.

25 ~~(b)~~

26 (c) Notwithstanding any other ~~provision of~~ law, all contracts  
27 between the department and the regional centers shall require that  
28 not more than 15 percent of all funds appropriated through the  
29 regional center's operations budget shall be spent on administrative  
30 costs. For purposes of this subdivision, "direct services" includes,  
31 but is not limited to, service coordination, assessment and  
32 diagnosis, monitoring of consumer services, quality assurance,  
33 and clinical services. Funds spent on direct services shall not  
34 include any administrative costs. For purposes of this subdivision,  
35 administrative costs include, but are not limited to, any of the  
36 following:

37 (1) Salaries, wages, and employee benefits for managerial  
38 personnel whose primary purpose is the administrative management  
39 of the regional center, including, but not limited to, directors and  
40 chief executive officers.

- 1 (2) Salaries, wages, and benefits of employees who perform
- 2 administrative functions, including, but not limited to, payroll
- 3 management, personnel functions, accounting, budgeting, auditing,
- 4 and facility management.
- 5 (3) Facility and occupancy costs, directly associated with
- 6 administrative functions.
- 7 (4) Maintenance and repair.
- 8 (5) Data processing and computer support services.
- 9 (6) Contract and procurement activities, except those performed
- 10 by direct service employees.
- 11 (7) Training directly associated with administrative functions.
- 12 (8) Travel directly associated with administrative functions.
- 13 (9) Licenses directly associated with administrative functions.
- 14 (10) Taxes.
- 15 (11) Interest.
- 16 (12) Property insurance.
- 17 (13) Personal liability insurance directly associated with
- 18 administrative functions.
- 19 (14) Depreciation.
- 20 (15) General expenses, including, but not limited to,
- 21 communication costs and supplies directly associated with
- 22 administrative functions.

23 (e)

24 (d) Consistent with ~~subdivision (a)~~, *subdivisions (a) and (b)*,

25 service providers and contractors, upon request, shall provide

26 regional centers with access to any books, documents, papers,

27 computerized data, source documents, consumer records, or other

28 records pertaining to the service providers' and contractors'

29 negotiated rates.

30 SEC. 4. Section 4681.1 of the Welfare and Institutions Code

31 is amended to read:

32 4681.1. (a) The department shall adopt regulations that specify

33 rates for community care facilities serving persons with

34 developmental disabilities. The implementation of the regulations

35 shall be contingent upon an appropriation in the annual Budget

36 Act for this purpose. These rates shall be calculated on the basis

37 of a cost model designed by the department that ensures that

38 aggregate facility payments support the provision of services to

39 each person in accordance with his or her individual program plan

40 and applicable program requirements. The cost model shall reflect

1 cost elements that shall include, but are not limited to, all of the  
2 following:

3 (1) “Basic living needs” include utilities, furnishings, food,  
4 supplies, incidental transportation, housekeeping, personal care  
5 items, and other items necessary to ensure a quality environment  
6 for persons with developmental disabilities. The amount identified  
7 for the basic living needs element of the rate shall be calculated  
8 as the average projected cost of these items in an economically  
9 and efficiently operated community care facility.

10 (2) “Direct care” includes salaries, wages, benefits, and other  
11 expenses necessary to supervise or support the person’s functioning  
12 in the areas of self-care and daily living skills, physical  
13 coordination mobility, and behavioral self-control, choice making,  
14 and integration. The amount identified for direct care shall be  
15 calculated as the average projected cost of providing the level of  
16 service required to meet each person’s functional needs in an  
17 economically and efficiently operated community care facility.  
18 The direct care portion of the rate shall reflect specific service  
19 levels defined by the department on the basis of relative resident  
20 need and the individual program plan.

21 (3) “Special services” include specialized training, treatment,  
22 supervision, or other services that a person’s individual program  
23 plan requires to be provided by the residential facility in addition  
24 to the direct care provided under paragraph (2). The amount  
25 identified for special services shall be calculated for each individual  
26 based on the additional services specified in the person’s individual  
27 program plan and the prevailing rates paid for similar services in  
28 the area. The special services portion of the rate shall reflect a  
29 negotiated agreement between the facility and the regional center  
30 in accordance with Section 4648.

31 (4) “Indirect costs” include managerial personnel, facility  
32 operation, maintenance and repair, other nondirect care, employee  
33 benefits, contracts, training, travel, licenses, taxes, interest,  
34 insurance, depreciation, and general administrative expenses. The  
35 amount identified for indirect costs shall be calculated as the  
36 average projected cost for these expenses in an economically and  
37 efficiently operated community care facility.

38 (5) “Property costs” include mortgages, leases, rent, taxes,  
39 capital or leasehold improvements, depreciation, and other  
40 expenses related to the physical structure. The amount identified

1 for property costs shall be based on the fair rental value of a model  
2 facility that is adequately designed, constructed, and maintained  
3 to meet the needs of persons with developmental disabilities. The  
4 amount identified for property costs shall be calculated as the  
5 average projected fair rental value of an economically and  
6 efficiently operated community care facility.

7 (b) The cost model shall take into account factors that include,  
8 but are not limited to, all of the following:

9 (1) Facility size, as defined by the department on the basis of  
10 the number of facility beds licensed by the State Department of  
11 Social Services and vendorized by the regional center.

12 (2) Specific geographic areas, as defined by the department on  
13 the basis of cost of living and other pertinent economic indicators.

14 (3) Common levels of direct care, as defined by the department  
15 on the basis of services specific to an identifiable group of persons  
16 as determined through the individual program plan.

17 (4) Positive outcomes, as defined by the department on the basis  
18 of increased integration, independence, and productivity at the  
19 aggregate facility and individual consumer level.

20 (5) Owner-operated and staff-operated reimbursement, which  
21 shall not differ for facilities that are required to comply with the  
22 same program requirements.

23 (c) The rates established for individual community care facilities  
24 serving persons with developmental disabilities shall reflect all of  
25 the model cost elements and rate development factors described  
26 in this section. The cost model design shall include a process for  
27 updating the cost model elements that address variables, including,  
28 but not limited to, all of the following:

29 (1) Economic trends in California.

30 (2) New state or federal program requirements.

31 (3) Changes in the state or federal minimum wage.

32 (4) Increases in fees, taxes, or other business costs.

33 (5) Increases in federal supplemental security income/state  
34 supplementary program for the aged, blind, and disabled payments.

35 (d) Rates established for persons with developmental disabilities  
36 who are also dually diagnosed with a mental health disorder may  
37 be fixed at a higher rate. The department shall work with the State  
38 Department of Health Care Services to establish criteria upon  
39 which higher rates may be fixed pursuant to this subdivision. The  
40 higher rate for persons with developmental disabilities who are

1 also dually diagnosed with a mental health disorder may be paid  
2 when requested by the director of the regional center and approved  
3 by the Director of Developmental Services.

4 (e) By January 1, 2001, the department shall prepare proposed  
5 regulations to implement the changes outlined in this section. The  
6 department may use a private firm to assist in the development of  
7 these changes and shall confer with consumers, providers, and  
8 other interested parties concerning the proposed regulations. By  
9 May 15, 2001, and each year thereafter, the department shall  
10 provide the Legislature with annual community care facility rates,  
11 including any draft amendments to the regulations as required. By  
12 July 1, 2001, and each year thereafter, contingent upon an  
13 appropriation in the annual Budget Act for this purpose, the  
14 department shall adopt emergency regulations that establish the  
15 annual rates for community care facilities serving persons with  
16 developmental disabilities for each fiscal year.

17 (f) During the first year of operation under the revised rate  
18 model, individual facilities shall be held harmless for any reduction  
19 in aggregate facility payments caused solely by the change in  
20 reimbursement methodology.

21 (g) (1) *The department shall ensure that rates established for*  
22 *community care facilities serving persons with developmental*  
23 *disabilities permit the viability of those facilities, including, but*  
24 *not limited to, four-bed facilities, by establishing different rates*  
25 *for each facility size, as determined by the number of beds*  
26 *available, that reflect reasonable differences in the cost structure*  
27 *of facilities with differing numbers of beds.*

28 (2) *The department shall adopt emergency regulations, within*  
29 *30 days of the effective date of the amendments adding this*  
30 *subdivision, to implement this subdivision. The adoption,*  
31 *amendment, repeal, or readoption of a regulation authorized by*  
32 *this paragraph is deemed to be necessary for the immediate*  
33 *preservation of the public peace, health and safety, or general*  
34 *welfare, for purposes of Sections 11346.1 and 11349.6 of the*  
35 *Government Code, and the department is hereby exempted from*  
36 *the requirement that it describe specific facts showing the need*  
37 *for immediate action.*

38 SEC. 5. Section 4681.2 is added to the Welfare and Institutions  
39 Code, to read:

1 4681.2. (a) Notwithstanding any other law, commencing July  
 2 1, 2016, the department shall increase the rates set for community  
 3 care facilities serving persons with developmental disabilities by  
 4 10 percent above the levels that otherwise would have been in  
 5 effect as of July 1, 2016. Commencing July 1, 2017, except as  
 6 specified in subdivision (b), the department shall increase those  
 7 rates by a percentage equal to the percentage of any increase in  
 8 the California Consumer Price Index since July 1, 2016.

9 (b) The rate increase described in subdivision (a) that is required  
 10 to commence July 1, 2017, shall only be made if the Budget Act  
 11 of 2017 does not implement alternative rate increases or rate  
 12 reforms based on the plan required by Section 4519.8.

13 (c) The funding increases authorized in this section shall only  
 14 be made if the increase would not result in a reduction to the  
 15 amount of federal matching funds available for these services.

16 SEC. 6. Section 4681.6 of the Welfare and Institutions Code  
 17 is amended to read:

18 4681.6. (a) Notwithstanding any other ~~law or regulation, law,~~  
 19 commencing July 1, 2008:

20 (1) A regional center shall not pay an existing residential service  
 21 provider, for services ~~where~~ *for which* rates are determined through  
 22 a negotiation between the regional center and the provider, a rate  
 23 higher than the rate in effect on June 30, 2008, unless the increase  
 24 is required by a contract between the regional center and the vendor  
 25 that is in effect on June 30, 2008, or the regional center  
 26 demonstrates that the approval is necessary to protect the  
 27 consumer’s health or safety and the department has granted prior  
 28 written authorization.

29 (2) A regional center shall not negotiate a rate with a new  
 30 residential service provider, for services ~~where~~ *for which* rates are  
 31 determined through a negotiation between the regional center and  
 32 the provider, that is higher than the regional center’s median rate  
 33 for the same service code and unit of service, or the statewide  
 34 median rate for the same service code and unit of service,  
 35 whichever is lower. The unit of service designation shall conform  
 36 with an existing regional center designation or, if none exists, a  
 37 designation used to calculate the statewide median rate for the  
 38 same service. The regional center shall annually certify to the  
 39 department its median rate for each negotiated rate service code,  
 40 by designated unit of service. This certification shall be subject to

1 verification through the department’s biennial fiscal audit of the  
2 regional center.

3 (b) Notwithstanding subdivision (a), commencing July 1, 2014,  
4 regional centers may negotiate a rate adjustment with residential  
5 service providers regarding rates that are otherwise restricted  
6 pursuant to subdivision (a), if the adjustment is necessary in order  
7 to pay employees no less than the minimum wage as established  
8 by Section 1182.12 of the Labor Code, as amended by Chapter  
9 351 of the Statutes of 2013, and only for the purpose of adjusting  
10 payroll costs associated with the minimum wage increase. The  
11 rate adjustment shall be specific to the unit of service designation  
12 that is affected by the increased minimum wage, shall be specific  
13 to payroll costs associated with any increase necessary to adjust  
14 employee pay only to the extent necessary to bring pay into  
15 compliance with the increased state minimum wage, and shall not  
16 be used as a general wage enhancement for employees paid above  
17 the minimum wage. Regional centers shall maintain documentation  
18 on the process to determine, and the rationale for granting, any  
19 rate adjustment associated with the minimum wage increase.

20 ~~(e) Notwithstanding subdivision (a), commencing July 1, 2015,~~  
21 ~~regional centers may negotiate a rate adjustment with residential~~  
22 ~~service providers regarding rates that are otherwise restricted~~  
23 ~~pursuant to subdivision (a), if the adjustment is necessary to~~  
24 ~~implement Article 1.5 (commencing with Section 245) of Chapter~~  
25 ~~1 of Part 1 of Division 2 of the Labor Code, as added by Chapter~~  
26 ~~317 of the Statutes of 2014. The rate adjustment may be applied~~  
27 ~~only if a minimum of 24 hours or three days of paid sick leave per~~  
28 ~~year was not a benefit provided to employees as of June 30, 2015,~~  
29 ~~and shall be specific to payroll costs associated with any increase~~  
30 ~~necessary to compensate an employee up to a maximum of 24~~  
31 ~~hours or three days of paid sick leave in each year of employment.~~

32 *(c) (1) Notwithstanding subdivision (a), commencing July 1,*  
33 *2016, regional centers shall increase the rates paid to residential*  
34 *service providers, for services for which rates are determined*  
35 *through negotiation between the regional center and the provider,*  
36 *by 10 percent above the levels that otherwise would have been in*  
37 *effect on July 1, 2016. Commencing July 1, 2017, except as*  
38 *specified in paragraph (2), the regional centers shall increase*  
39 *those rates by a percentage equal to the percentage of any increase*  
40 *in the California Consumer Price Index since July 1, 2016.*

1 (2) *The rate increase described in paragraph (1) that is required*  
2 *to commence July 1, 2017, shall only be made if the Budget Act*  
3 *of 2017 does not implement alternative rate increases or rate*  
4 *reforms based on the plan required by Section 4519.8.*

5 (3) *The funding increases authorized in this subdivision shall*  
6 *only be made if the increase would not result in a reduction to the*  
7 *amount of federal matching funds available for these services.*

8 (d) For purposes of this section, “residential service provider”  
9 includes Adult Residential Facilities for Persons with Special  
10 Health Care Needs, as described in Section 4684.50.

11 (e) This section shall not apply to those services for which rates  
12 are determined by the State Department of Health Care Services,  
13 or the State Department of Developmental Services, or are usual  
14 and customary.

15 SEC. 7. Section 4689.8 of the Welfare and Institutions Code  
16 is amended to read:

17 4689.8. (a) Notwithstanding any other ~~provision of law or~~  
18 ~~regulation, law~~, commencing July 1, 2008:

19 ~~(a) No~~

20 (1) A regional center ~~may~~ *shall not* pay an existing supported  
21 living service provider, for services ~~where~~ *for which* rates are  
22 determined through a negotiation between the regional center and  
23 the provider, a rate higher than the rate in effect on June 30, 2008,  
24 unless the increase is required by a contract between the regional  
25 center and the vendor that is in effect on June 30, 2008, or the  
26 regional center demonstrates that the approval is necessary to  
27 protect the consumer’s health or safety and the department has  
28 granted prior written authorization.

29 ~~(b) No~~

30 (2) A regional center ~~may~~ *shall not* negotiate a rate with a new  
31 supported living service provider, for services ~~where~~ *for which*  
32 rates are determined through a negotiation between the regional  
33 center and the provider, that is higher than the regional center’s  
34 median rate for the same service code and unit of service, or the  
35 statewide median rate for the same service code and unit of service,  
36 whichever is lower. The unit of service designation shall conform  
37 with an existing regional center designation or, if none exists, a  
38 designation used to calculate the statewide median rate for the  
39 same service. The regional center shall annually certify to the State  
40 Department of Developmental Services its median rate for each

1 negotiated rate service code, by designated unit of service. This  
2 certification shall be subject to verification through the  
3 department's biennial fiscal audit of the regional center.

4 *(b) (1) Notwithstanding subdivision (a), commencing July 1,*  
5 *2016, regional centers shall increase the rates paid to supported*  
6 *living service providers, for services for which rates are determined*  
7 *through negotiation between the regional center and the provider,*  
8 *by 10 percent above the levels that otherwise would have been in*  
9 *effect on July 1, 2016. Commencing July 1, 2017, except as*  
10 *specified in paragraph (2), the regional centers shall increase*  
11 *those rates by a percentage equal to the percentage of any increase*  
12 *in the California Consumer Price Index since July 1, 2016.*

13 *(2) The rate increase described in paragraph (1) that is required*  
14 *to commence July 1, 2017, shall only be made if the Budget Act*  
15 *of 2017 does not implement alternative rate increases or rate*  
16 *reforms based on the plan required by Section 4519.8.*

17 *(3) The funding increases authorized in this subdivision shall*  
18 *only be made if the increase would not result in a reduction to the*  
19 *amount of federal matching funds available for these services.*

20 SEC. 8. Section 4690.7 is added to the Welfare and Institutions  
21 Code, to read:

22 4690.7. (a) Notwithstanding any other law, commencing July  
23 1, 2016, the department shall increase the rates set for  
24 nonresidential service providers by 10 percent above the levels  
25 that otherwise would have been in effect on July 1, 2016.  
26 Commencing July 1, 2017, except as specified in subdivision (b),  
27 the department shall increase those rates by a percentage equal to  
28 the percentage of any increase in the California Consumer Price  
29 Index since July 1, 2016.

30 (b) The rate increase described in subdivision (a) that is required  
31 to commence July 1, 2017, shall only be made if the Budget Act  
32 of 2017 does not implement alternative rate increases or rate  
33 reforms based on the plan required by Section 4519.8.

34 (c) The funding increases authorized in this section shall only  
35 be made if the increase would not result in a reduction to the  
36 amount of federal matching funds available for these services.

37 SEC. 9. Section 4691.9 of the Welfare and Institutions Code  
38 is amended to read:

39 4691.9. (a) Notwithstanding any other ~~law or regulation,~~ law,  
40 commencing July 1, 2008:

1 (1) A regional center shall not pay an existing service provider,  
2 for services where rates are determined through a negotiation  
3 between the regional center and the provider, a rate higher than  
4 the rate in effect on June 30, 2008, unless the increase is required  
5 by a contract between the regional center and the vendor that is in  
6 effect on June 30, 2008, or the regional center demonstrates that  
7 the approval is necessary to protect the consumer's health or safety  
8 and the department has granted prior written authorization.

9 (2) A regional center shall not negotiate a rate with a new service  
10 provider, for services where rates are determined through a  
11 negotiation between the regional center and the provider, that is  
12 higher than the regional center's median rate for the same service  
13 code and unit of service, or the statewide median rate for the same  
14 service code and unit of service, whichever is lower. The unit of  
15 service designation shall conform with an existing regional center  
16 designation or, if none exists, a designation used to calculate the  
17 statewide median rate for the same service. The regional center  
18 shall annually certify to the State Department of Developmental  
19 Services its median rate for each negotiated rate service code, by  
20 designated unit of service. This certification shall be subject to  
21 verification through the department's biennial fiscal audit of the  
22 regional center.

23 (b) Notwithstanding subdivision (a), commencing July 1, 2014,  
24 regional centers may negotiate a rate adjustment with providers  
25 regarding rates if the adjustment is necessary in order to pay  
26 employees no less than the minimum wage as established by  
27 Section 1182.12 of the Labor Code, as amended by Chapter 351  
28 of the Statutes of 2013, and only for the purpose of adjusting  
29 payroll costs associated with the minimum wage increase. The  
30 rate adjustment shall be specific to the unit of service designation  
31 that is affected by the increased minimum wage, shall be specific  
32 to payroll costs associated with any increase necessary to adjust  
33 employee pay only to the extent necessary to bring pay into  
34 compliance with the increased state minimum wage, and shall not  
35 be used as a general wage enhancement for employees paid above  
36 the increased minimum wage. Regional centers shall maintain  
37 documentation on the process to determine, and the rationale for  
38 granting, any rate adjustment associated with the minimum wage  
39 increase.

1 (c) Notwithstanding any other ~~law or regulation~~, *law*,  
2 commencing January 1, 2015, rates for personal assistance and  
3 supported living services in effect on December 31, 2014, shall  
4 be increased by 5.82 percent, subject to funds specifically  
5 appropriated for this increase for costs due to changes in federal  
6 regulations implementing the federal Fair Labor Standards Act of  
7 1938 (29 U.S.C. Sec. 201 et seq.). The increase shall be applied  
8 as a percentage, and the percentage shall be the same for all  
9 applicable providers. As used in this subdivision, both of the  
10 following definitions shall apply:

11 (1) “Personal assistance” is limited only to those services  
12 provided by vendors classified by the regional center as personal  
13 assistance providers, pursuant to the miscellaneous services  
14 provisions contained in Title 17 of the California Code of  
15 Regulations.

16 (2) “Supported living services” are limited only to those services  
17 defined as supported living services in Title 17 of the California  
18 Code of Regulations.

19 ~~(d) Notwithstanding subdivision (a), commencing July 1, 2015,~~  
20 ~~regional centers may negotiate a rate adjustment with existing~~  
21 ~~service providers for services for which rates are determined~~  
22 ~~through negotiation between the regional center and the provider,~~  
23 ~~if the adjustment is necessary to implement Article 1.5~~  
24 ~~(commencing with Section 245) of Chapter 1 of Part 1 of Division~~  
25 ~~2 of the Labor Code, as added by Chapter 317 of the Statutes of~~  
26 ~~2014. The rate adjustment may be applied only if a minimum of~~  
27 ~~24 hours or three days of paid sick leave per year was not a benefit~~  
28 ~~provided to employees as of June 30, 2015, and shall be specific~~  
29 ~~to payroll costs associated with any increase necessary to~~  
30 ~~compensate an employee up to a maximum of 24 hours or three~~  
31 ~~days of paid sick leave in each year of employment.~~

32 *(d) (1) Notwithstanding subdivision (a), commencing July 1,*  
33 *2016, regional centers shall increase the rates paid to service*  
34 *providers, for services for which rates are determined through*  
35 *negotiation between the regional center and the provider, by 10*  
36 *percent above the levels that otherwise would have been in effect*  
37 *on July 1, 2016. Commencing July 1, 2017, except as specified in*  
38 *paragraph (2), the regional centers shall increase those rates by*  
39 *a percentage equal to the percentage of any increase in the*  
40 *California Consumer Price Index since July 1, 2016.*

1 (2) *The rate increase described in paragraph (1) that is required*  
2 *to commence July 1, 2017, shall only be made if the Budget Act*  
3 *of 2017 does not implement alternative rate increases or rate*  
4 *reforms based on the plan required by Section 4519.8.*

5 (3) *The funding increases authorized in this subdivision shall*  
6 *only be made if the increase would not result in a reduction to the*  
7 *amount of federal matching funds available for these services.*

8 (e) This section shall not apply to those services for which rates  
9 are determined by the State Department of Health Care Services,  
10 or the State Department of Developmental Services, or are usual  
11 and customary.

12 SEC. 10. Section 4793 is added to the Welfare and Institutions  
13 Code, to read:

14 4793. (a) The department shall increase the funding provided  
15 to a regional center for the regional center’s operating budget as  
16 follows:

17 (1) Beginning July 1, 2016, increase the amount paid under the  
18 core staffing formula by 10 percent.

19 (2) Beginning July 1, 2017, increase the amount paid under the  
20 core staffing formula by 10 percent, plus a percentage equal to the  
21 percentage of any increase in the California Consumer Price Index  
22 since July 1, 2016.

23 (b) The rate increase described in paragraph (2) of subdivision  
24 (a) that is required to commence July 1, 2017, shall only be made  
25 if the Budget Act of 2017 does not implement alternative rate  
26 increases or regional center funding reforms based on the plan  
27 required by Section 4519.8.

28 (c) The funding increases authorized in this section shall only  
29 be made if the increase would not result in a reduction to the  
30 amount of federal matching funds available for these services.

31 SEC. 11. Section 4794 is added to the Welfare and Institutions  
32 Code, to read:

33 4794. (a) The department shall increase the funding provided  
34 to a regional center to enable the regional center and regional  
35 center’s purchase-of-service vendors to fund all of the following  
36 costs associated with minimum wage requirements:

37 (1) The costs necessary to comply with a statewide minimum  
38 wage requirement.

1 (2) The costs necessary to comply with minimum wage  
2 requirements enacted by local governments that exceed the  
3 statewide minimum wage.

4 (3) The costs necessary to increase compensation for exempt,  
5 salaried employees to comply with wage orders issued by the  
6 Industrial Welfare Commission or any other state regulatory  
7 agency.

8 (4) Any other wage adjustments that vendors are required to  
9 make in response to minimum wage increases mandated by state  
10 or federal statutes, regulations, or other authorities.

11 (b) The funding increases required by this section shall be in  
12 addition to the funding increases required by Sections 4681.2,  
13 4681.6, 4689.8, 4690.7, 4691.9, 4793, and 4860, as those sections  
14 were added or amended by the act that added this section.

15 SEC. 12. Section 4860 of the Welfare and Institutions Code is  
16 amended to read:

17 4860. (a) (1) ~~The~~ *Except as provided in subdivision (f), the*  
18 hourly rate for supported employment services provided to  
19 consumers receiving individualized services shall be ~~thirty~~  
20 *thirty-four* dollars and ~~eighty-two~~ *twenty-four* cents ~~(\$30.82).~~  
21 *(\$34.24).*

22 (2) Job coach hours spent in travel to consumer worksites may  
23 be reimbursable for individualized services only when the job  
24 coach travels from the vendor's headquarters to the consumer's  
25 worksite or from one consumer's worksite to another, and only  
26 when the travel is one way.

27 (b) ~~The~~ *Except as provided in subdivision (f), the* hourly rate  
28 for group services shall be ~~thirty~~ *thirty-four* dollars and ~~eighty-two~~  
29 *twenty-four* cents ~~(\$30.82),~~ *(\$34.24)* regardless of the number of  
30 consumers served in the group. Consumers in a group shall be  
31 scheduled to start and end work at the same time, unless an  
32 exception that takes into consideration the consumer's compensated  
33 work schedule is approved in advance by the regional center. The  
34 department, in consultation with stakeholders, shall adopt  
35 regulations to define the appropriate grounds for granting these  
36 exceptions. When the number of consumers in a supported  
37 employment placement group drops to fewer than the minimum  
38 required in subdivision (r) of Section 4851, the regional center  
39 may terminate funding for the group services in that group, unless,  
40 within 90 days, the program provider adds one or more regional

1 centers, or Department of Rehabilitation-funded supported  
 2 employment consumers to the group.

3 (c) Job coaching hours for group services shall be allocated on  
 4 a prorated basis between a regional center and the Department of  
 5 Rehabilitation when regional center and Department of  
 6 Rehabilitation consumers are served in the same group.

7 (d) When Section 4855 applies, fees shall be authorized for the  
 8 following:

9 (1) ~~A three-hundred-sixty-dollar (\$360)~~ *four-hundred-dollar*  
 10 *(\$400)* fee shall be paid to the program provider upon intake of a  
 11 consumer into a supported employment program. No fee shall be  
 12 paid if that consumer completed a supported employment intake  
 13 process with that same supported employment program within the  
 14 previous 12 months.

15 (2) ~~A seven-hundred-twenty-dollar (\$720)~~ *An*  
 16 *eight-hundred-dollar (\$800)* fee shall be paid upon placement of  
 17 a consumer in an integrated job, except that no fee shall be paid  
 18 if that consumer is placed with another consumer or consumers  
 19 assigned to the same job coach during the same hours of  
 20 employment.

21 (3) ~~A seven-hundred-twenty-dollar (\$720)~~ *An*  
 22 *eight-hundred-dollar (\$800)* fee shall be paid after a 90-day  
 23 retention of a consumer in a job, except that no fee shall be paid  
 24 if that consumer has been placed with another consumer or  
 25 consumers, assigned to the same job coach during the same hours  
 26 of employment.

27 (e) Notwithstanding paragraph (4) of subdivision (a) of Section  
 28 4648, the regional center shall pay the supported employment  
 29 program rates established by this section.

30 (f) (1) *Commencing July 1, 2017, the rates established by*  
 31 *subdivisions (a) and (b) shall be thirty-seven dollars and sixty-six*  
 32 *cents (\$37.66).*

33 (2) *The rate increase described in paragraph (1), shall only be*  
 34 *made if the Budget Act of 2017 does not implement alternative*  
 35 *rate increases or regional center funding reforms based on the*  
 36 *plan required by Section 4519.8.*

37 SEC. 13. The Legislature declares that the changes made by  
 38 this act are not intended to result in the substantial impairment of  
 39 any contract. To the extent any contract would be substantially  
 40 impaired as a result of the application of any change made by this

1 act, it is the intent of the Legislature that the change apply only to  
2 contracts renewed or entered into on or after the effective date of  
3 this act.

4 SEC. 14. This act is an urgency statute necessary for the  
5 immediate preservation of the public peace, health, or safety within  
6 the meaning of Article IV of the Constitution and shall go into  
7 immediate effect. The facts constituting the necessity are:

8 In order to ensure that the necessary increases in the rates paid  
9 for services provided to persons with developmental disabilities  
10 and in the hourly rates for supported employment services provided  
11 to consumers receiving individualized services take effect as soon  
12 as possible, it is necessary that this act take immediate effect.

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