

# Governor's January 2026 Budget Proposal 26-27

Contra Costa County DD Council

By Will Sanford

# Right Now, it is only a \$2.9 Billion State Deficit

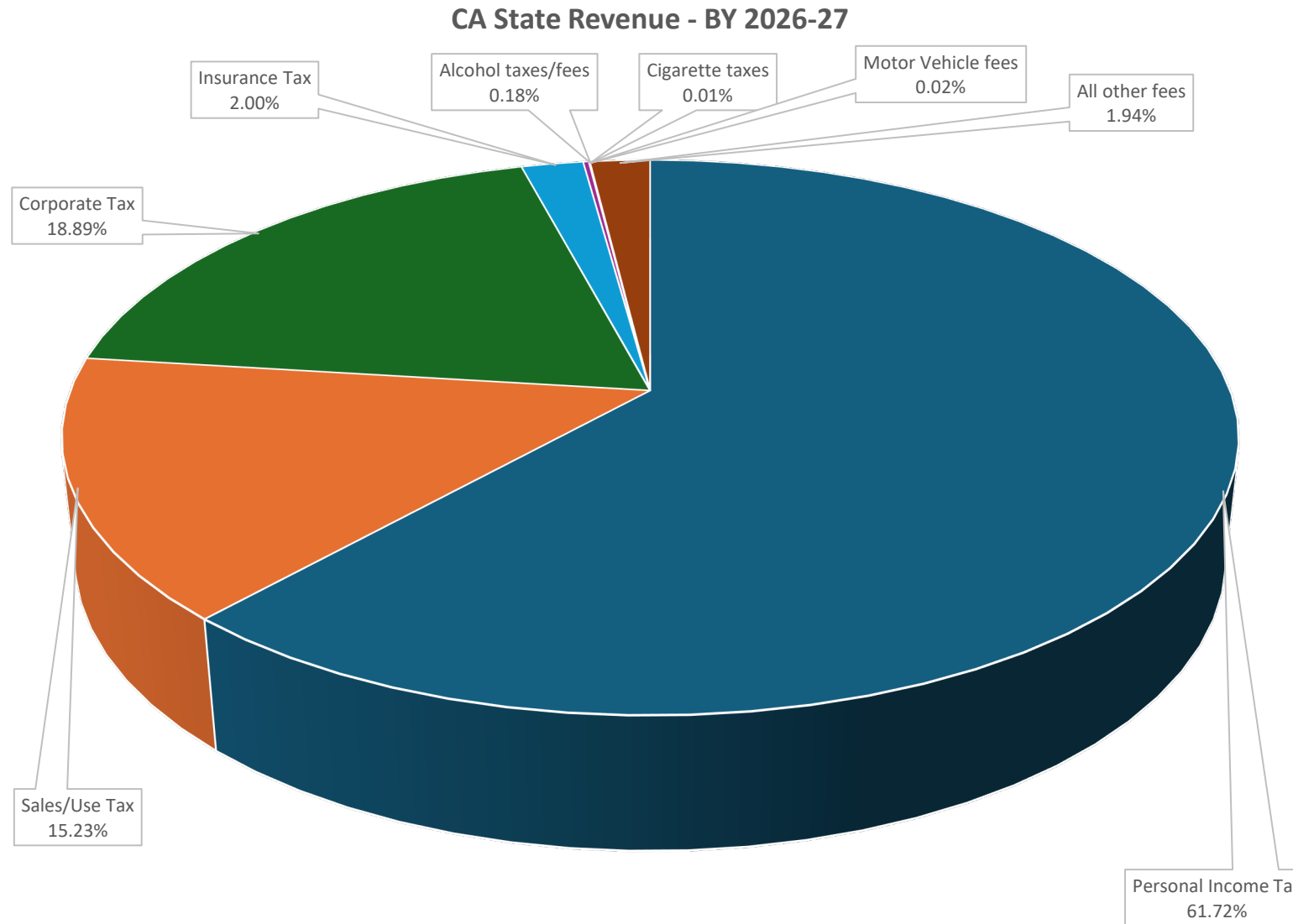
- The Governor's budget presents a \$ 2.9 Billion deficit (versus the LAO's projection of \$ 18 to \$ 19 Billion).
- It reflects higher revenues, due to the impact of Artificial Intelligence companies' profits and economic growth.
- It maintains current investments, especially in I/DD services and has no "significant" new investments.
- It does acknowledge there is a continued outyear financial issue.
- It acknowledges that there are a lot of unknowns that could impact the outcome (changing tariffs, restrictive immigration policies, other economic challenges and Federal tax impacts)

# Governor's Proposal – Big Picture (GF)

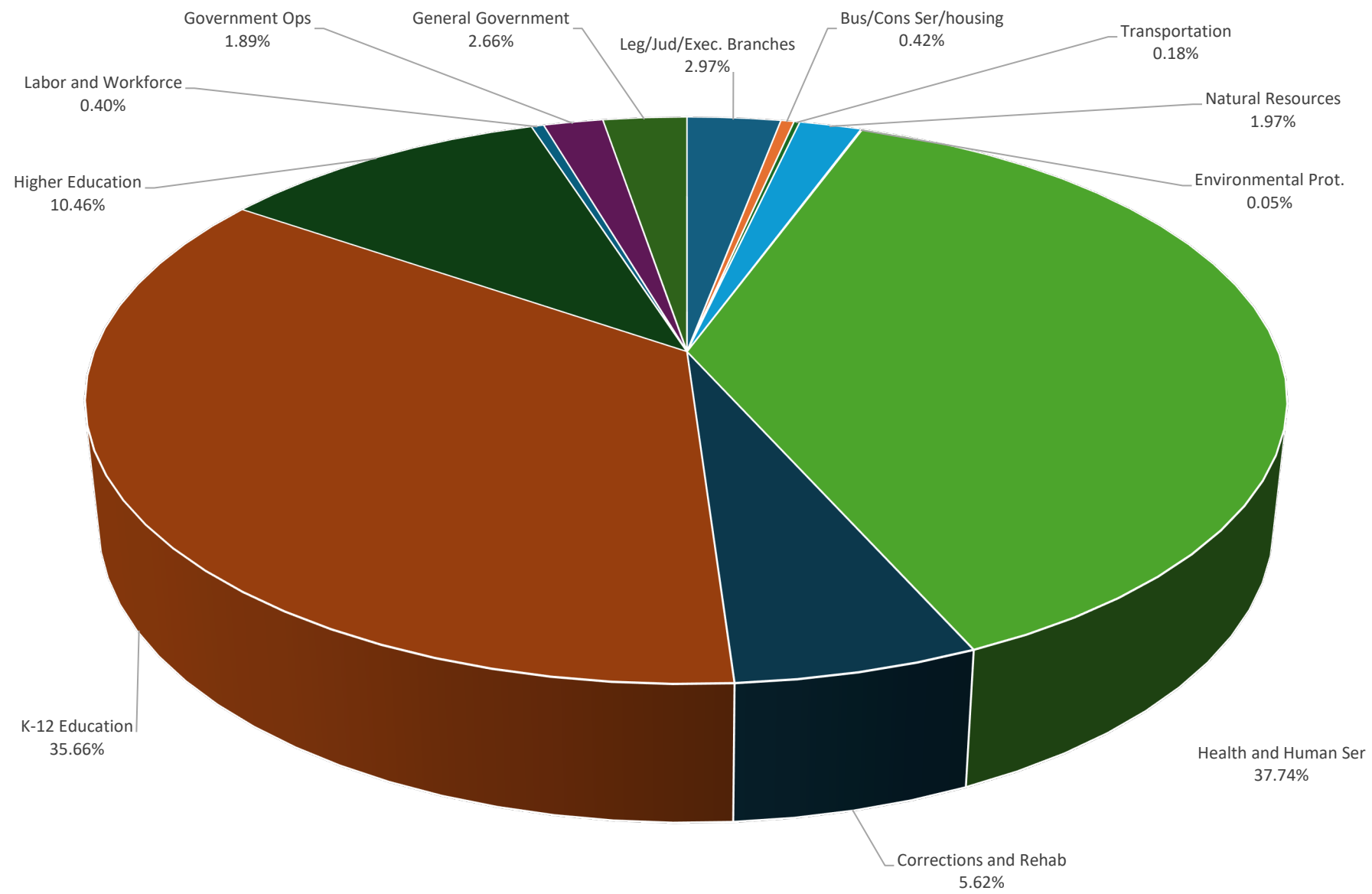
Category	CY 2025-26	BY 2026-27	Change
Prior year Fund Balance	\$ 55,951,000,000	\$ 53,451,000,000	<\$ 2,500,000,000>
- Revenues and transfers	\$ 235,162,000,000	\$ 227,386,000,000	<\$ 7,776,000,000>
- Expenditures	<u>\$ 237,662,000,000</u>	<u>\$ 248,330,000,000</u>	<u>&lt;\$ 10,668,000,000&gt;</u>
Ending Fund Balance	\$ 53,451,000,000	\$ 32,506,000,000	<\$ 20,945,000,000>
Encumbrances	<u>\$ 27,998,000,000</u>	<u>\$ 27,998,000,000</u>	<u>\$ 0</u>
<b>SFEU*</b>	\$ 25,453,000	\$ 4,508,000,000	<\$ 20,945,000,000>
<b>Reserves</b>			
Budget Stabilization Account	\$ 11,327,000,000	\$ 14,350,000,000	\$ 3,023,000,000
Safety Net Reserve	\$ 0	\$ 0	\$ 0
Public School System Stabilization Account	\$ 4,509,000.000	\$ 4,102,000,000	<\$ 407,000,000>

\*Special Fund for Economic Uncertainties

# General Fund Revenue Sources



# General Fund Expenditure by Agency – BY 26-27



# Revenue and Expenditure - Worries

- Revenue Worries
  - Large dependence on Capital gains, so stock market variation is a worry
  - Impact of Federal Tax changes, tariffs, inflation and the labor market
- Expenditures
  - HR1 – includes significant federal policy impacts to California's Health and Human Services Programs.
  - Budget includes increases of \$ 1.1 Billion for Medi-Cal and \$ 300 Million to support CalFresh

# DDS – Initial Proposal for BY 2026-27

- Fully funds caseload growth, with an increase of \$ 2.4 B over CY 25-26, for Community Services (RC Ops and POS).
- Life Outcomes Improvement System (LOIS): one year increase of \$ 14.6 million (\$5.7 M General Fund)
- Federal Access Rule: increase of \$2.4 Million (\$2.1 M General Fund) to support increased workload
- State Operations: reorganization of 70 positions
- Fairview DC: decrease of \$ 8.1 M General funds, to reflect cold shut down and disposition of the property

# Individuals Projected to be Served

Category	CY 2025-26 Enacted	CY 2025-26 1/10/2026 - revised	BY 2026-27 1/10/2026 - proposed	% Change
<b>Community-Based Individuals Served</b>				
Early Start	58,979	56,020	56,073	>.001%
Provisional Eligibility	12,178	14,873	18,160	22.10 %
Lanterman	419,923	418,361	452,615	8.19 %
<b>Total Community</b>	<b>491,080</b>	<b>489,254</b>	<b>526,848</b>	<b>7.68 %</b>
<b>State Operated Facilities</b>				
Canyon Springs	56	56	56	0%
Porterville STP	211	211	211	0%
STAR and CAST	38	38	38	0%
<b>Total State Operated</b>	<b>305</b>	<b>305</b>	<b>305</b>	<b>0%</b>



# DDS Big Picture: Expenditures

Expenditures	CY 2025-26 Enacted	CY 2025-26 1/10/2026 - revised	BY 2026-27 1/10/2026 - proposed	\$ Change revised to BY 2026-27
Community Services	\$ 18,196,652,000	\$ 18,196,652,000	\$ 20,632,003,000	\$ 2,435,924,000
State Operated Facilities	\$ 309,641,000	\$ 304,605,000	\$ 293,282,000	<\$ 11,323,000>
Headquarters	\$ 162,822,000	\$ 174,169,000	\$ 183,240,000	\$ 9,071,000
<b>Total IDD Support</b>	<b>\$ 18,669,115,000</b>	<b>\$ 18,675,426,000</b>	<b>\$ 21,108,525,000</b>	<b>\$ 2,433,099,000</b>

Average Cost per individual served	FY 2025-26 Enacted	FY 2025-26 1/10/26 – revised	BY 2026-27 1/10/26 - proposed
Community Services	\$ 38,016	\$ 37,193	\$ 39,161
State Operated	\$ 1,015,206	\$ 998,705	\$ 961,580

# DDS Big Picture: Funding Sources (Community Services)

Funding Sources	CY 2025-26 Enacted	CY 2025-26 1/10/2026 - revised	BY 2026-27 1/10/2026 - proposed	\$ Change (revised to proposed)	% Change (revised to budget)
- General Fund – Match	\$ 6,106,947,000	\$ 5,939,454,000	\$ 6,756,704,000	\$ 817,250,000	13.76 %
- General Fund - Other	<u>\$ 5,674,394,000</u>	<u>\$ 5,607,224,000</u>	<u>\$ 6,398,081,000</u>	<u>\$ 790,857,000</u>	14.10 %
<b>Total General Fund</b>	<b>\$ 11,781,341,000</b>	<b>\$ 11,546,678,000</b>	<b>\$ 13,154,785,000</b>	<b>\$ 1,608,107,000</b>	<b>13.93 %</b>
Reimbursements	\$ 6,357,932,000	\$ 6,592,595,000	\$ 7,420,929,000	\$ 828,334,000	12.56 %
All other funds	\$ 56,806,000	\$ 56,806,000	\$ 56,289,000	<\$ 517,000>	<0.09 %>
<b>Total IDD Support</b>	<b>\$ 18,196,079,000</b>	<b>\$ 18,196,079,000</b>	<b>\$ 20,632,003,000</b>	<b>\$ 2,435,924,000</b>	<b>13.39 %</b>

# Overall Community Services Funding

Item	CY 2025-26 Enacted	CY 2025-26 1/10/2026 - Revised	BY 2026-27 1/10/2026 - proposed	\$ Change Budget Revision
<b>Regional Center (RC) Operations</b>				
Caseload support	\$ 1,633,726,000	\$ 1,633,726,000	\$ 1,762,506,000	\$ 128,780,000
Policy Support	\$ 16,951,000	\$ 16,951,000	\$ 20,183,000	\$ 3,232,000
<b>Total RC Operations</b>	<b>\$ 1,650,677,000</b>	<b>\$ 1,650,677,000</b>	<b>\$ 1,782,689,000</b>	<b>\$ 132,012,000</b>
<b>Purchase of Services (POS)</b>				
Caseload/Utilization	\$ 16,617,377,000	\$ 16,617,377,000	\$ 19,165,311,000	\$ 2,547,934,000
POS Policy	<\$ 93,402,000>	<\$ 93,402,000>	<\$ 337,336,000>	<\$ 243,934,000>
<b>Total POS</b>	<b>\$ 16,523,975,000</b>	<b>\$ 16,523,975,000</b>	<b>\$ 18,827,975,000</b>	<b>\$ 2,304,000,000</b>
Early Start Part C/Other Agency Costs	\$ 19,424,000	\$ 19,424,000	\$ 19,336,000	<\$ 88,000>
Family Resource	\$ 2,003,000	\$ 2,003,000	\$ 2,003,000	\$ 0
<b>Total Community</b>	<b>\$ 18,196,079,000</b>	<b>\$ 18,196,079,000</b>	<b>\$ 20,632,003,000</b>	<b>\$ 2,435,924,000</b>

# DDS – Re-Alignment of POS Categories

Category Title	Covers
Behavioral Services	Crisis Intervention, evaluations, behavioral intervention, etc
Day Services	Community based (day, community integration, medical and behavior)
Early Intervention	Infant Development, Early Start Therapeutic
Employment	SE – Individual and Group, WAP's, Job Development
Medical Services	Address physical and oral health
Other Services	START Teams, FMS, Vehicle modifications, interpreters
Residential Services	CCFs, ILS, SLS and other licensed facilities
Respite	Includes In and Out of home services
Social Recreation	Social Rec, camping services, educational services and non-medical therapies
Support and Training Services	Personal Assistance, mobility and socialization programs, community living supports, home health agency
Transportation	Transportation (public, specialized, day programs, family, etc)

# DDS Projected Caseload/Utilization Costs (1)

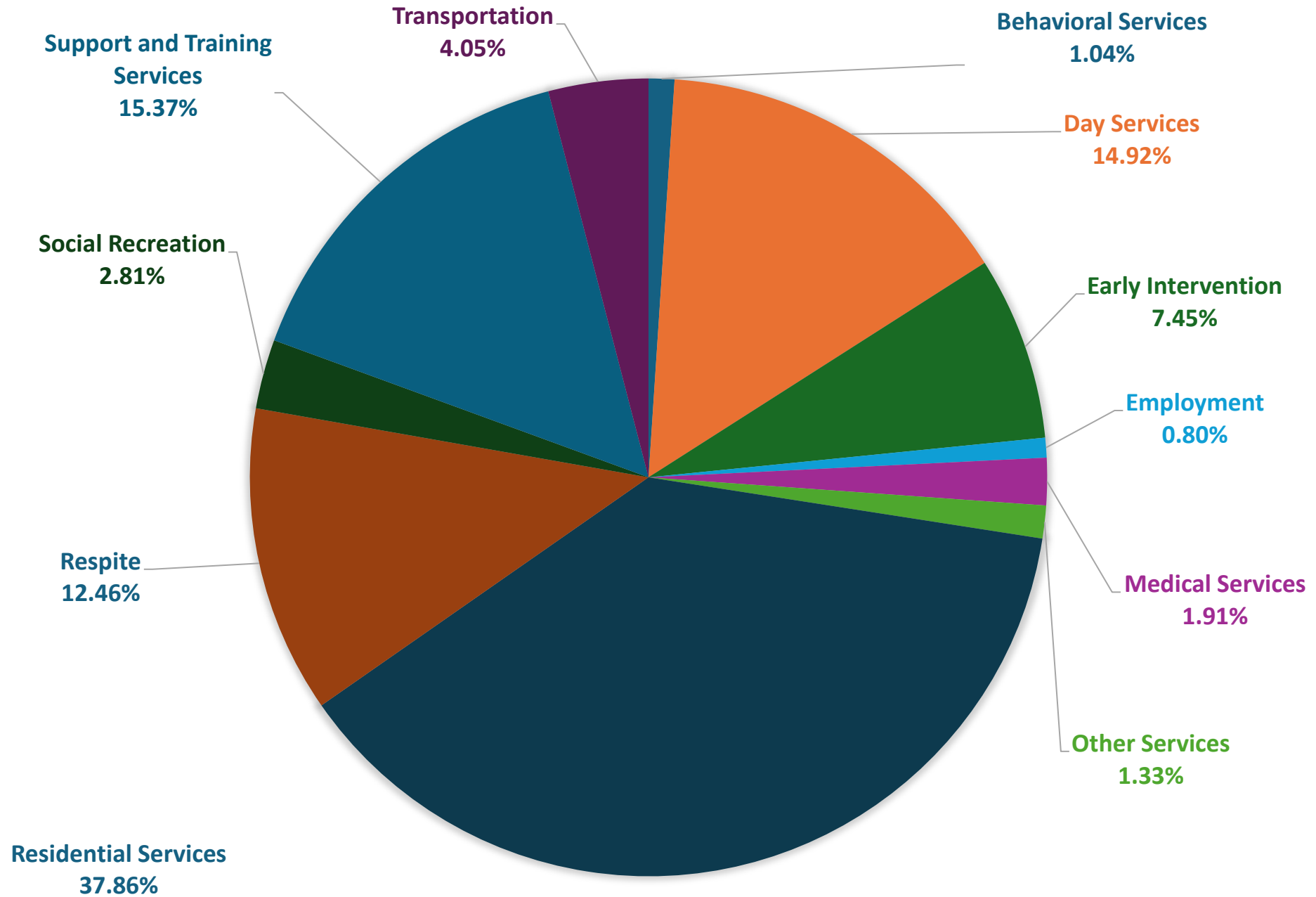
Category	CY 2025-26 Enacted	CY 2025-26 1/10/2026 - Revised	BY 2026-27 1/10/2026 - proposed	Fed \$ %	\$ Change – revised to BY 2026-27
Behavioral Services	\$ 151,530,000	\$ 151,530,000	\$ 200,000,000	33 %	\$ 48,470,000
Day Services	\$ 2,468,362,000	\$ 2,468,362,000	\$ 2,859,631,000	42 %	\$ 391,269,000
Early Intervention Services	\$ 1,334,405,000	\$ 1,334,405,000	\$ 1,437,184,000	9 %	\$ 92,779,000
Employment	\$ 153,392,000	\$ 153,392,000	\$ 153,647,000	24 %	\$ 255,000
Medical Services	\$ 316,932,000	\$ 316,932,000	\$ 366,601,000	23 %	\$ 49,669,000
Other Services	\$ 221,859,000	\$ 221,859,000	\$ 254,817,000	38 %	\$ 32,958,000
Residential Services	\$ 6,537,876,000	\$ 6,537,876,000	\$ 7,255,497,000	38 %	\$ 717,621,000
Respite	\$ 2,008,311,000	\$ 2,008,311,000	\$ 2,388,155,000	38 %	\$ 379,844,000
Social Recreation	\$ 379,319,000	\$ 379,319,000	\$ 538,419,000	22 %	\$ 159,100,000

# DDS Projected Caseload/Utilization Costs (2)

Category	CY 2025-26 Enacted	CY 2025-26 1/10/2026 - Revised	BY 2026-27 1/10/2026 - proposed	Fed \$ %	\$ Change — revised to BY 2026- 27
Support and Training Services	\$ 2,355,318,000	\$ 2,355,318,000	\$ 2,945,635,000	37 %	\$ 590,317,000
Transportation	\$ 690,073,000	\$ 690,073,000	\$ 775,725,000	39 %	\$ 85,652,000
<b>Total POS Growth</b>	<b>\$ 16,617,377,000</b>	<b>\$ 16,617,377,000</b>	<b>\$ 19,165,311,000</b>	<b>36 %</b>	<b>\$ 2,547,934,000</b>

The Self-Determination Program expenditures: Revised 2025-26 = \$ 736,762,000 (45% Fed support, per participant cost - \$ 83,476), Proposed BY 26-27 - \$ 969,990,000 (39% Fed Support, per participant cost - \$ 84,157), are included in the POS numbers above.

## POS SERVICE ALLOCATION - BY 2026-27



# What are DDS Budget Policies?

- In the Budget Process, when new opportunities/options are proposed for either Regional Center Operations and/or Purchase of Services, as either one-time or to develop a new service/option, they show up as Policies.
- They typically continue until they sunset or are rolled into the overall budget item, whether it is the Operations budget or a particular POS category.
- In some cases, the question is where did they go?



# Purchase of Service Policy Expenditures

Category	CY 2025-26 1/10/2026 - revised	BY 2026-27 1/10/2026 - Proposed
On-Going POS Items		
- Best Buddies	\$ 2,000,000	\$ 2,000,000
- HCBS Compliance Support	\$ 15,000,000	\$ 15,000,000
- Bi-Lingual Differentials	\$ 7,200,000	\$ 7,200,000
- DSP Workforce training and Dev.	<u>\$ 17,850,000</u>	<u>\$ 17,850,000</u>
<b>On-Going POS Items</b>	<b>\$ 42,050,000</b>	<b>\$ 42,050,000</b>
- Impact on QIP Eligibility Provider Mandate (Meeting, EVV, Audits and HCBS rules)	\$ 0	<\$ 333,886,000>
- Self Determination Program Protections	<\$ 22,500,000>	<\$ 45,500,000>
- Rate Reform Hold Harmless Provision	<u>&lt;\$ 112,952,000&gt;</u>	<u>\$ 0</u>
<b>Total POS - Policy</b>	<b>&lt;\$ 93,402,000&gt;</b>	<b>&lt;\$ 337,336,000&gt;</b>

# Operations Policy - Expenditures

Category	FY 2025-26 1/10/2026 - revised	BY 20256-27 1/10/2026 - Proposed
Life Outcomes Improvement System (LOIS)	\$ 7,255,000	\$ 7,255,000
Public Records Act Support (AB 1147)	\$ 9,696,000	\$ 12,928,000
<b>Total Operations Policy Items</b>	<b>\$ 16,951,000</b>	<b>\$ 20,183,000</b>

# DDS Identified Future Fiscal Issues

- **Rate Reform and Quality Incentive Implementation** – Continued review and refinement, including the required posting of updated rate model data every 2 years (AB2423).
- **Caseload Composition** – Identified individuals with ASD may need increased Safety Net Services, 54% of the overall caseload has ASD diagnosis, 73% of those in the 3 to 21 age group, have that diagnosis.
- **Federal Funding Uncertainty** – Departments budget could be impacted by funding reductions, delays in FMAP determinations, etc.
- **Federal Access Rule** – Next round of new CMS requirements, related to rates and reporting of quality measures and handling of grievances.
- **Infrastructure update to deliver services** – The focus is on the development of the LOIS project.

# Other Impacts that could impact I/DD Services

- The budget proposes some reductions to In-Home Support Services (IHSS)
  - Currently, someone who meets the expected qualifications to go onto Medi-cal, can receive IHSS while they apply and gain Medi-Cal status (projected savings - \$86 M)
  - Elimination of the back system of providers for individuals receiving services (projected savings - \$ 3.5 M).
  - Elimination of the State's contribution to case growth, so expanded services will require greater County contribution (projected savings - \$ 234 M)

# Questions?



# Developmental Services Glossary

Acronym	Term
<b>FY</b>	Fiscal Year
<b>BY</b>	Budget Year
<b>LAO</b>	Legislative Analysts Office
<b>DOF</b>	Department of Finance
<b>GF</b>	General Fund
<b>TF</b>	Total Fund
<b>ARPA</b>	American Rescue Plan Act
<b>FMAP</b>	Federal Medical Assistance Percentage
<b>POS</b>	Purchase of Services
<b>LOIS</b>	Life Outcomes Improvement System

# Developmental Services Glossary

Acronym	Term
<b>DDS</b>	Department of Developmental Services
<b>RC</b>	Regional Center
<b>IDD</b>	Intellectual and Developmental Disability
<b>STP</b>	Secure Treatment Program
<b>STAR</b>	Stabilization Training Assistance Reintegration
<b>CAST</b>	Crisis Assessment Stabilization Teams
<b>HCBS</b>	Home- and Community-Based Services
<b>ICF</b>	Intermediate Care Facility
<b>QA</b>	Quality Assurance
<b>START</b>	Systemic, Therapeutic, Assessment, Resources and Treatment
<b>SDP</b>	Self-Determination Program
<b>PIP</b>	Paid Internship Program
<b>CIE</b>	Competitive Integrated Employment
<b>DSP</b>	Direct Support Professional
<b>FMS</b>	Financial Management Services
<b>UFSM</b>	Uniform Fiscal System Modernization
<b>CERMS</b>	Consumer Electronic Records Management System
<b>IPP</b>	Individual Program Plan
<b>EVV</b>	Electronic Visit Verification

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