

REGIONAL CENTER OF ORANGE COUNTY

BUDGET & FINANCE FUNDAMENTALS

Board of Directors' Training

October 1, 2020

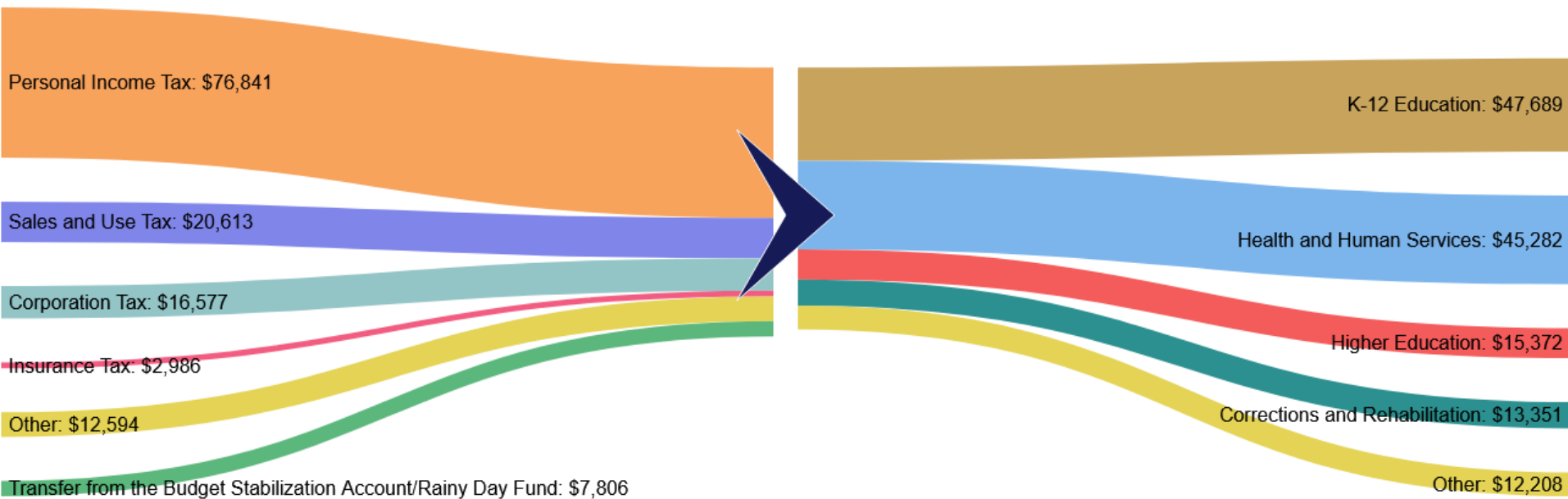
Funding

Governor's Budget 2020-21 May Revision

General Fund Revenues vs Expenditures (Dollars in Millions)

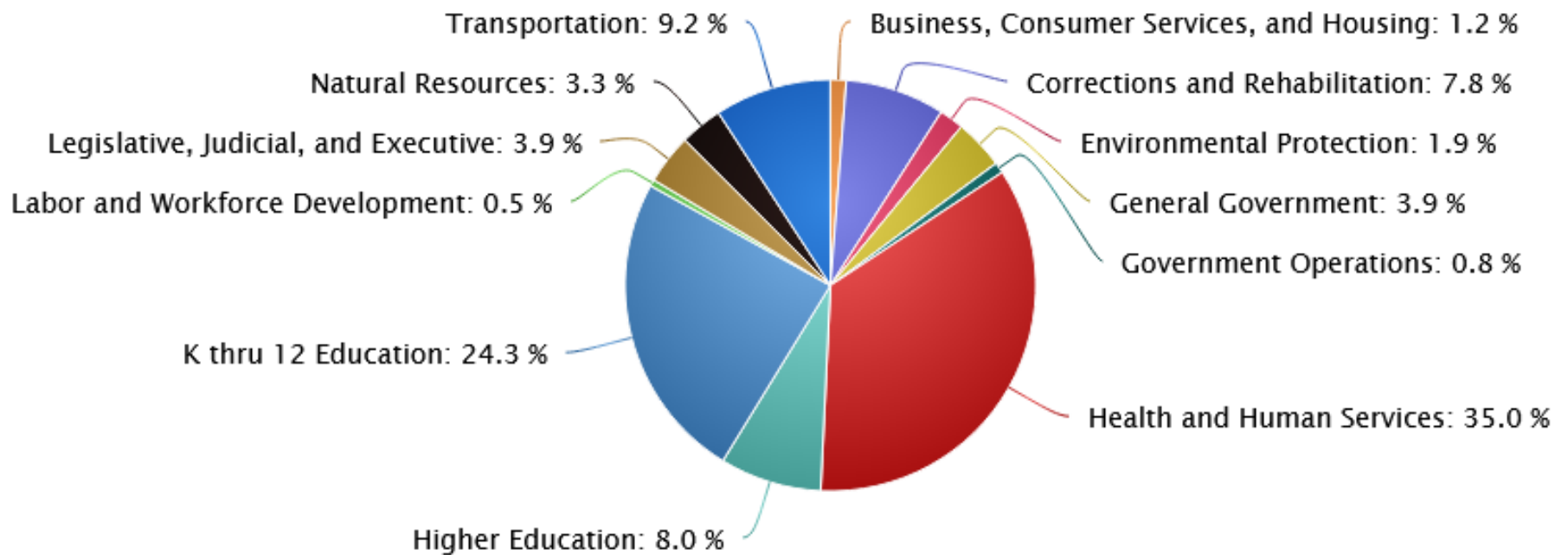
REVENUES
Total: \$137,417

EXPENDITURES
Total: \$133,902



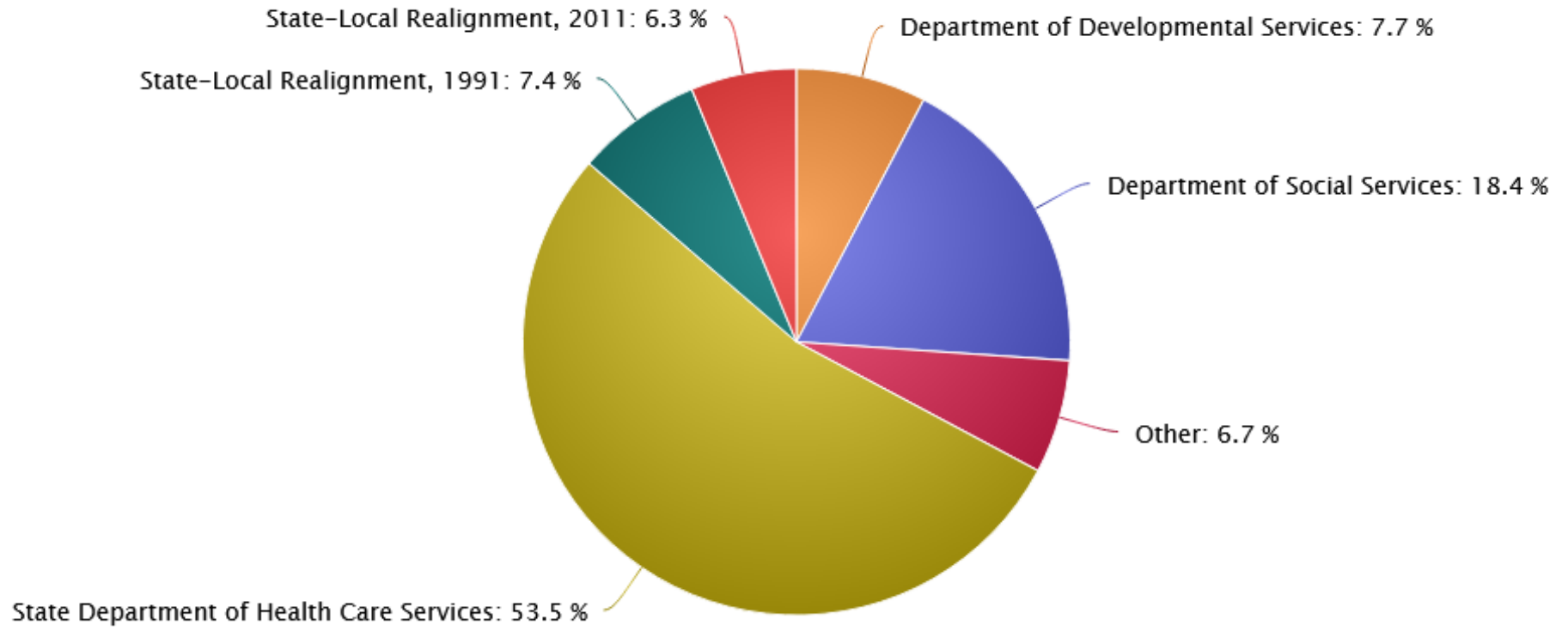
Governor's Budget 2020-21 May Revision

Total State Funds Total \$203 Billion



DEPARTMENTS' PORTION OF THE AGENCY'S BUDGET (State Funds)

This pie chart represents \$71.2 billion of expenditures within this Agency area. These amounts do not include federal funds, certain non-governmental cost funds, or reimbursements.



Regional Centers

- Created in statute (Lanterman Act is part of the State of California's Welfare and Institutions Code)
- Governed by statute, California Code of Regulations, and contract with the Department of Developmental Services

Budget cycle

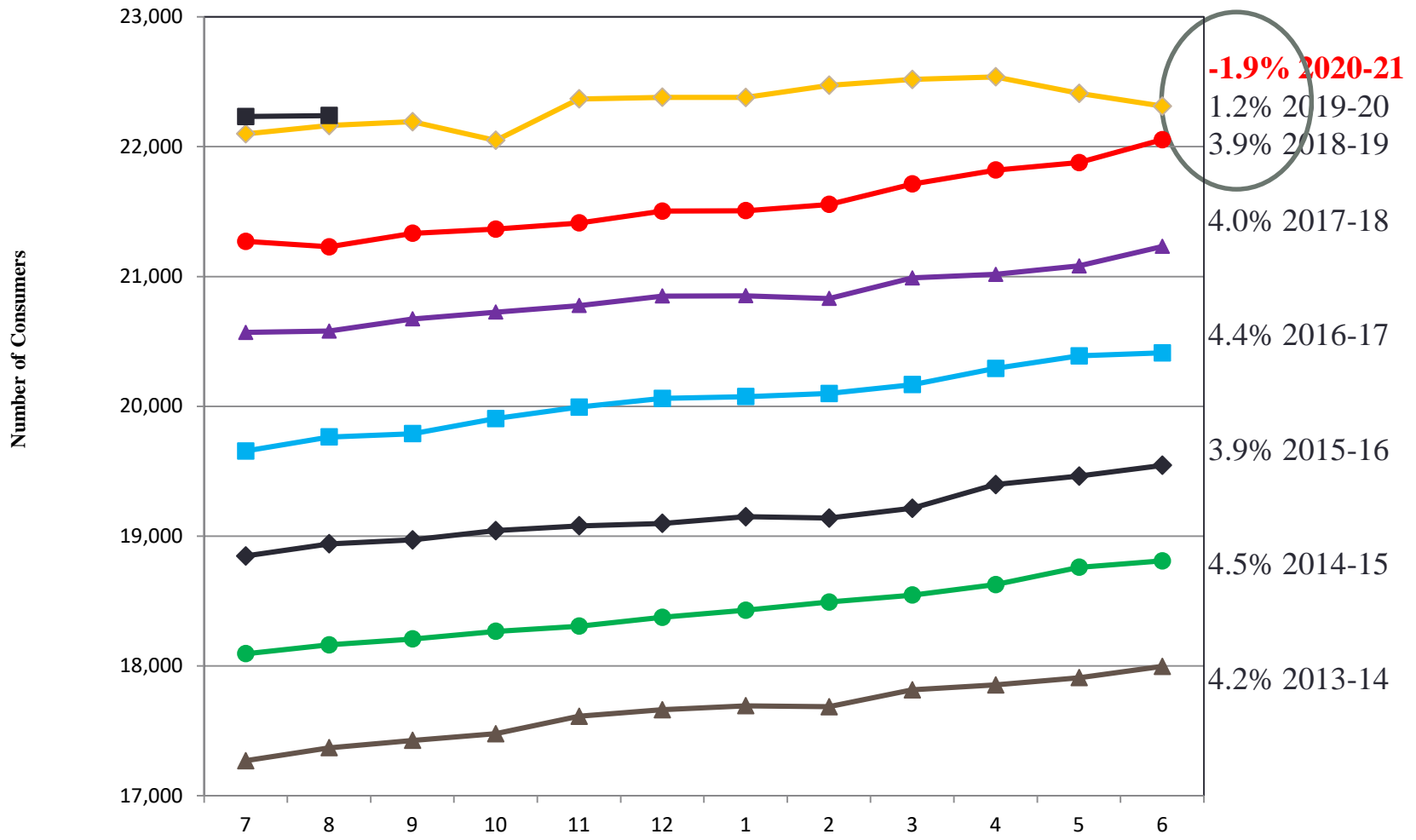
State of California Budget Cycle

- The budget cycle begins in January with the Governor's budget for the upcoming fiscal year
- In May, the Governor's budget is updated with new numbers and estimates
- July 1 is the beginning of the new fiscal year

DDS' Allocations to Regional Centers

- The State of California's Department of Developmental Services (DDS), part of the Health and Human Services Agency, prepares all the estimates for its portion of the Governor's budget
- DDS has all the Regional Centers' Purchase of Services (POS) and caseload information
- DDS determines the Operations allocation based on caseload and rent (DDS surveys regional centers)
- Preliminary allocation for the new fiscal year in June
- Planning allocation in late August / early September
- DDS controls timing of all subsequent allocations

Caseload for Fiscal Years From 2013-14 to 2020-21 Year-to-Date



Expenditures and reimbursement

Monthly Cycle of Expenditures and Reimbursement

- Individual Program Plan (IPP) is developed which includes RCOC-funded services:
 - RCOC sends an authorization for service to vendor
 - Vendor provides the service, then bills RCOC
 - RCOC pays vendor
 - RCOC submits a claim for reimbursement to DDS
 - DDS reimburses RCOC
 - Regional Centers operate on a cash basis with DDS - Regional Centers cannot request reimbursement until the service has been paid, i.e., expenditures equal reimbursement

Monthly Cycle

Step 1 - IPP, Day Program

Step 6 - DDS reimburses Regional Center \$1,000

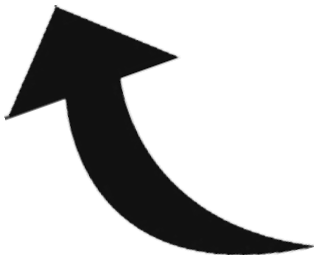
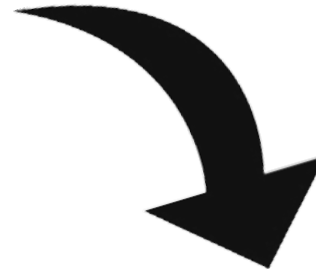
Step 2 - Day program service is authorized

Step 5 - Regional Center asks DDS for reimbursement of \$1,000

REGIONAL CENTER PAYS (\$1,000)	
STATE REIMBURSES	\$1,000
TOTAL	\$0

Step 3 - Vendor provides service and then invoices Regional Center for \$1,000

Step 4 - Regional Center pays vendor \$1,000



RCOC's Net Assets

- RCOC's net assets are about \$170,000 in donations
- All the furniture and equipment belong to the State of California

Projections and financial reporting

POS Projections / Key Indicators

- Projections are based on actual expenditures in the current year
- Rate increases
- Anticipated growth in services
- Key indicators include:
 - Caseload growth
 - Changes in utilization, e.g., COVID-19 has disrupted services

Board Packet Financial Information

- Monthly Sufficiency of Allocation Report:
 - Read the highlights first
 - Regional Centers operate on a cash basis with DDS, actual expenditures = claim for reimbursement
 - Projected expenditures are based on assumptions about growth, changes in rates and utilization

What Do Staff Worry About?

- The next recession...
- DDS has few tools to reduce Purchase of Service expenditures
- In the Great Recession, DDS implemented:
 - Payment reductions
 - Median rates
 - Unallocated reductions
- Regional Centers have no tools to reduce Purchase of Service expenditures due to previous court decisions, ARC v. DDS, and entitlement

Role of Auditors

- Independent auditors are expressing an opinion on the financial statements in accordance with Generally Accepted Accounting Principles (GAAP)
- DDS' auditors are testing RCOC's fiscal compliance with the State of California's Welfare and Institutions Code, California Code of Regulations, Title 17, the Home and Community-Based Services (HCBS) Waiver, and RCOC's contract with DDS

In Conclusion

- “He who has the gold makes the rules”
- DDS determines the amount and timing of allocations
- RCOC receives allocations and reports to DDS on the sufficiency/deficiency of the allocations
- RCOC pays vendors and then submits a claim for reimbursement to DDS
- RCOC processes a lot of money but doesn't keep any
- RCOC has no assets other than ~\$170,000 in its donations account
- We worry about the next recession

Questions?