

(Without Reference to File)

SENATE THIRD READING

SB 163 (Committee on Budget and Fiscal Review)

As Amended June 26, 2026

Majority vote Budget Bill Appropriations Take Effect Immediately

SUMMARY

This is the Developmental Services Trailer Bill, which includes statutory changes related to the 2026 Budget Act.

Major Provisions

This bill does the following:

- 1) Authorizes the Department of Developmental Services (DDS) to make direct care purchases in individual amounts of less than \$10,000 commencing with the 2026–27 fiscal year for community-based facilities, and requires DDS to establish and maintain a written policy and procedures manual for these purchases. Defines "direct care purchases" to mean a good or service necessary for an individual's health, safety, or continuity of care.
- 2) Removes obsolete reporting requirements on DDS, including reports on how DDS will provide access to crisis services after the closure of a developmental center, the use of DDS employees in providing services in the community to assist in meeting the goal of successfully transitioning developmental center residents to community living, best practices for regional center administrative management and purchase of services, and the estimated amount of General Fund expenditures used to backfill federal funding as a result of the decertification of intermediate care facility units at the Sonoma Developmental Center.
- 3) Authorizes DDS to establish a distinct service code and rate model for the family teaching home model that is separate from the service code and rate model for the family home agency and that considers costs for housing, staffing, and census. If established by DDS, requires family home agencies that provide family teaching homes to use the service code and rate model for those family teaching homes.
- 4) Authorizes tailored day services to be delivered on the same day as supported employment individual placement services.
- 5) Adopts oversight provisions related to Early Intervention Programs, including requiring the State Department of Education to enter into an interagency agreement with DDS to facilitate a seamless transition between services in Part C and under Part B of the federal Individuals with Disabilities Education Act and to collaborate with the State Department of Developmental Services as they develop and disseminate written directives for transition practices between those parts. Authorizes DDS to issue directives to local educational agencies and regional centers until regulations are adopted and requires the directives to be issued no later than June 30, 2029, as a condition to receive federal Part C grant funds. Requires regional centers to assess toddlers who qualify for early intervention services and are transitioning to or may be eligible for a state preschool program.

- 6) Removes the requirement for a work activity program or supported employment program to comply with the requirements of the Commission on Accreditation of Rehabilitation Facilities (CARF), and would instead require a regional center to monitor, evaluate, and audit habilitation services providers for program effectiveness using service standards established by DDS.
- 7) Requires DDS and the Department of Rehabilitation (DOR) to develop an interagency agreement, with respect to the delivery of habilitation services and vocational rehabilitation programs, to create an integrated employment services system between DOR and regional centers, with the goals of having each individual experience uninterrupted services, minimized handoffs, and fewer barriers, and increase timely access to employment. Requires DDS, beginning December 1, 2026, to semiannually report milestones on the development of the integrated employment services system on the DDS internet website until the integrated employment services system is developed.
- 8) Authorizes individuals and families to voluntarily choose to receive specified services remotely until December 31, 2028, if remotely receiving those services or supports would effectively meet the needs identified through the planning team process. Requires providers to document the remote services each individual receives on a monthly basis. Requires DDS to include information and data regarding remote services in quarterly updates to the Legislature beginning in March 2027, and to report to the Legislature no later than February 1, 2028, survey results, information, and data on remote services. Authorizes DDS to implement these provisions by means of written directives or similar instructions.
- 9) Restricts the allocation of federal financial participation funds to offset the costs to DDS for the required criminal background check and other implementation costs for the Self-Determination Program. Beginning July 1, 2026, and ending June 30, 2030, requires that up to \$1,000,000 of reappropriated funds be made available to DDS to meet the needs of participants, including costs associated with local community resource fairs and the development and delivery of standardized statewide training for individuals, family members, and members of the local volunteer advisory committees. Beginning on July 1, 2030, and subject to an appropriation of at least \$1,000,000 for these purposes, requires that those funds be made available to DDS for those same activities.
- 10) Requires, notwithstanding any other law, that hourly workers employed by a regional center vendor providing supported living services be compensated for hours worked in excess of 40 hours per workweek at a rate of one and a half times the employee's regular rate of pay.
- 11) Requires DDS-approved performance measures to be incorporated into contracts between the state and regional centers, and requires DDS to give consideration to the availability of regional center operations funding when establishing and revising these measures. Also requires the contracts to include a provision requiring each regional center to render services in accordance with applicable provisions of federal law and written directives from DDS.
- 12) States the intent of the Legislature to modernize the DDS financial and case management information technology systems for use by regional centers through DDS and implementation of the Life Outcomes Improvement System (LOIS), and requires LOIS to serve as the system used by all regional centers to improve the user experience, promote access, and manage eligibility and services for individuals and families who are applying for or receiving regional center services. Specifies requirements for regional centers to prepare for and assist the

transition from their existing information technology systems to LOIS and, upon readiness of LOIS for implementation, requires each regional center to discontinue the use of all other case management and financial technology systems. Requires DDS to submit quarterly written updates to both the relevant budget subcommittees and policy committees of each house of the Legislature, as well as the Legislative Analyst's Office, on the planning for LOIS, and to submit to the Legislature a copy of the Post Implementation Evaluation Report for LOIS, which will include plans for stakeholder consultation and oversight as the project moves into maintenance and operations.

- 13) Requires DDS, beginning July 1, 2026, to monitor and post information on compliance with the Home and Community Based Services (HCBS) Final Rule on its internet website and update the information no less frequently than every six months.
- 14) Sunsets an existing grievance process on February 1, 2027, and establishes a new procedure to apply to grievances filed on or after February 1, 2027. Requires, under that new procedure, grievances to be filed with DDS and for DDS to refer the grievance to the applicable regional center or state-operated facility. Requires the grievance to be reviewed within five days and requires the grievant to be given an opportunity to present evidence, information, or testimony and make legal and factual arguments related to their grievance. Requires the grievance reviewer to send, produce, and sign a resolution plan within 60 days of the date that the grievance was referred by DDS, subject to a possible extension under certain conditions. Authorizes the grievant to request a review of the resolution plan by DDS, and would require DDS to make a determination on it within 21 days. Requires DDS to review a sample of resolution plans and annually post the deidentified results of that review, as well as certain additional information related to grievances, on its internet website. Authorizes DDS to implement these provisions by means of written directives or similar instructions. Requires DDS to convene stakeholders and legislative staff by August 1, 2027, to receive input and feedback regarding implementation of these provisions, and to submit a report to the Legislature on the implementation of these provisions no later than December 1, 2027.
- 15) Exempts, operative through December 31, 2030, contracts and contract amendments to procure services necessary to implement provisions from the requirements of the Public Contract Code, the State Administrative Manual, and from approval by the Department of General Services (DGS). The bill would instead require DDS to adopt regulations by no later than December 31, 2030.
- 16) Requires DDS to continue and enhance robust ongoing technical assistance, training, and operational guidance to service providers and to use the data collected through the quality incentive program to understand and address provider capacity needs in the system and inform and develop the infrastructure necessary to track and achieve quality outcomes. Requires DDS to evaluate the reasons why some providers have been unable to access the quality incentive rate increment in the 2026–27 fiscal year and requires DDS and the regional centers to support service providers with meeting the qualifying prerequisites to maximize access to the quality incentive rate increment in the 2027–28 fiscal year and ongoing.
- 17) Requires DDS to issue and adjust funding allocations to the regional centers and specifies that those funding allocations and adjustments may be done, at DDS discretion, by letter, contract, or contract amendment, and require that those funding allocations be consistent with, and subject to, funding appropriated in the annual Budget Act. Also makes those funding

allocations and adjustments exempt from the Public Contract Code and the State Contracting Manual and not subject to the approval of DGS.

- 18) Requires DDS, no later than March 1, 2028, in consultation with stakeholders, to issue guidance to regional centers on maintaining necessary quality assurance oversight of service providers, special incident reporting, provider directory structure, and rate controls while removing barriers to statewide accessibility of services. Requires service providers to give preference to providing services to individuals served by the service provider's initially vendorizing regional center.
- 19) Removes, effective January 1, 2027, a requirement for a vendor to maintain a physical location within a regional center's service area unless a physical location is required for the delivery of services. Authorizes DDS to repeal or amend any regulations necessary to implement this provision.
- 20) Limits the state's authority to contract only with agencies whose governing boards meet, no later than January 1, 2028, additional requirements, including, among other things, that the board be composed of no more than 17 individuals with specified expertise, including California law, management, board governance, fiscal or financial, and developmental disability programs. Requires the board to complete trainings in specified subject areas, to appoint an advisory group with specific designations, and to review the performance of the regional center executive director on an annual basis.
- 21) Subjects, until July 1, 2030, contracts of \$350,000 or more to approval by the governing board of each regional center. Increases this amount to \$450,000 as of July 1, 2030, and increases this amount by \$50,000 every five years thereafter. Exempts purchase of service authorizations from this requirement.
- 22) Requires, by no later than July 1, 2027, the governing board of a regional center to retain or employ an attorney to provide general legal advice and counsel. Requires the attorney to have at least five years of specified legal experience and requires the attorney to be present at all regional center board meetings and executive committee meetings where final decisions are made, except as specified.
- 23) Removes the prohibition on DDS from directly operating a regional center program for longer than 120 days before contracting with a new governing board. Authorizes DDS to operate a regional center during the interim period between governing boards through contract. Requires DDS to notify the Joint Legislative Budget Committee every six months until the transition to the new governing board is complete.
- 24) Reappropriates funds from the Budget Acts of 2023, 2024, and 2025 for appropriations related to Local Volunteer Advisory Committees and extends the period in which the reappropriated funds may be encumbered until June 30, 2030.
- 25) Declares that this bill is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

COMMENTS

This bill enacts statutory changes that will enable and govern appropriations for Developmental Services programs funded in the 2026 Budget Act.

According to the Author

None on file.

Arguments in Support

None on file.

Arguments in Opposition

None on file.

FISCAL COMMENTS

This bill enacts statutory changes that will enable and govern appropriations for Developmental Services programs funded in the 2026 Budget Act.

VOTES**SENATE FLOOR: 28-10-2**

YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Cortese, Durazo, Gonzalez, Grayson, Hurtado, Laird, Limón, McGuire, McNerney, Menjivar, Padilla, Pérez, Richardson, Rubio, Smallwood-Cuevas, Umberg, Wahab, Weber Pierson, Wiener
NO: Alvarado-Gil, Choi, Dahle, Grove, Jones, Niello, Ochoa Bogh, Seyarto, Strickland, Valladares

ABS, ABST OR NV: Reyes, Stern

UPDATED

VERSION: June 26, 2026

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