Operations Memo 2026-28

To: DDS Qualified Providers

From: Sean Bannon, Director, Operations Center

CC: Jordan Scheff, Commissioner, Elisa Velardo, Deputy Commissioner, Katie Rock-Burns, Chief of Staff, Nicholas Jerard, CFO, Regional Directors, Private ARDs, Resource Administrators, The Alliance, The ARC CT

Date: April 6, 2026

Subject: Revenue Retention Guidelines (update)

This memo updates the Revenue Retention guidelines noted in Operations Memo 2026-19 by allowing for use of Revenue Retention in FY 27 as described below.

When may requests for use in FY26 and FY 27 be submitted?

The window for submission of requests to use FY22, FY23, and FY24 retained revenue for expenses incurred during FY26 and FY 27 is open effective upon release of this memo. Revenue retention requests for funds retained in FY 25 will be opened at a later date.

How long do I have to use retained revenue?

Retained revenue may only be applied to costs incurred within the eligibility period. The table below illustrates the eligibility period for revenue retention earned between FY 22 and FY 26. Starting with revenue retained in FY 24, the eligibility period begins on the first day of the fiscal year after the revenue was retained and lasts for three full fiscal years. For example, revenue retained during FY 2024 may be applied to costs incurred between July 1, 2024, and June 30, 2027. If a provider proceeds with utilizing retained funds before DDS approval, the provider assumes all associated risks.

FY Revenue Retained	Cost Eligibility Start	Cost Eligibility End	Requests must be in "approved" status prior to submission of annual report for:
FY2022	July 1, 2022	June 30, 2027	FY27
FY2023	July 1, 2023	June 30, 2027	FY27
FY2024	July 1, 2024	June 30, 2027	FY27
FY2025	July 1, 2025	June 30, 2028	FY28
FY2026	July 1, 2026	June 30, 2029	FY29

When do retention requests need to be submitted by?

All costs that will be allocated to revenue retention must be submitted as of August 31st each year. Once your annual report is submitted, you may no longer request offsets that would require you to amend a previous annual report.

What are eligible uses of retained revenue?

Per Public Act No. 23-186, revenue retained must be used to offset costs for any of three eligible categories. Examples of common eligible uses under these categories are listed below. The examples are not an exhaustive list of possible costs. Requests will be evaluated on a case-by-case basis.

1) *Invest in Deferred Maintenance*

Deferred maintenance means the cost of maintenance and repair tasks related to the upkeep of a program that are intermittent or unexpected. For example, snow removal and routine lawn maintenance are not allowable. Eligible costs may include:

- Repairing part of a facility (a deck, a roof) that has become unsafe, does not meet inspection standards, or that requires updates to maintain or extend its useful life.
- Repairing a broken or outdated appliance or utility system, such as a septic tank or HVAC system.
- Routine building updates such as painting, re-doing external siding, or updating light fixtures or shelving.
- Vehicle repairs

2) Make Asset Improvements

Making asset improvements means improvements to assets that significantly increase their functionality or purchases of new assets that directly support or expand program operations. Eligible costs may include:

- Building construction or significant remodeling projects
- Paving driveways or other landscaping investments
- Purchase of property or vehicles
- Purchases of furniture or other equipment
- Accessibility upgrades, such as adding accessible ramps, doors, or bathrooms.

3) Strengthen Program Quality

Strengthen program quality means purchases, projects, or expenses that strengthen the quality of a program. Eligible costs may include:

- Staffing, such as wages or retention initiatives for new non-direct-care positions that improve program quality
- Training or professional development
- Products or services, such as virtual reality equipment or subscriptions to a service that provides programming to individuals

3a) Strengthen Program Quality (employee benefits)

Strengthen Program Quality (Employee Benefits) means expenses on employee benefits such as:

- Retirement plans
- Health insurance
- Other benefits

What are the requirements for competitive procurement?

All procurement practices must comply with any requirements in Public Act No. 23-186 related to revenue retention. Every project must also be approved by DDS through the revenue retention project review and approval process outlined above.

Should any Room and Board Costs go through the DSS Capital Improvement process and be reported on the Annual report?

Room and Board costs funded through the use of retained funds should not be submitted to DSS as a Capital Improvement request. However, these costs must still be included in the DSS Room and Board section of the Annual Report. Please note that DDS will share a list of your approved revenue retention projects with DSS to ensure projects are not counted for both programs.