

ASSEMBLY BILL

No. 5

Introduced by Assembly Member Santiago

July 16, 2015

An act to add Section 4629.8 to the Welfare and Institutions Code, relating to developmental services.

LEGISLATIVE COUNSEL'S DIGEST

AB 5, as introduced, Santiago. Developmental services: regional center contracts.

Existing law, the Lanterman Developmental Disabilities Services Act, requires the State Department of Developmental Services to enter into contracts with private nonprofit corporations to operate regional centers for the provision of community services and support for persons with developmental disabilities and their families. Existing law sets forth the duties of the regional centers, including, but not limited to, development of individual program plans, the purchase of needed services to implement the plan, and monitoring of the delivery of those services.

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

This bill would require all regional center contracts or agreements with contracting entities that provide in-home respite services and that have an annual revenue attributable to in-home respite services provided to regional center consumers of at least \$7,000,000, as specified, to

expressly require that at least 85% of regional center funds be spent on direct service expenditures, as defined.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

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

- 1 SECTION 1. Section 4629.8 is added to the Welfare and
2 Institutions Code, to read:
3 4629.8. (a) For purposes of this section, the following
4 definitions apply:
5 (1) "Administrative costs" means all costs other than direct
6 service expenditures, including all amounts actually paid and all
7 accounts payable, as calculated in accordance with generally
8 accepted accounting principles, including, but not limited to, all
9 of the following:
10 (A) Compensation and benefits, including federal, state, and
11 local payroll taxes, workers' compensation and unemployment
12 insurance premiums, and recruiting, training, orientation, and
13 background checks for managerial personnel whose primary
14 purpose is the administrative management of the entity, including,
15 but not limited to, directors and chief executive officers.
16 (B) Compensation and benefits, including federal, state, and
17 local payroll taxes, workers' compensation and unemployment
18 insurance premiums, and recruiting, training, orientation, and
19 background checks for employees who perform administrative
20 functions, including, but not limited to, payroll management,
21 personnel functions, accounting, budgeting, and facility
22 management.
23 (C) Facility and occupancy costs directly associated with
24 administrative functions.
25 (D) Maintenance and repair.
26 (E) Data processing and computer support services.
27 (F) Contract and procurement activities, except those provided
28 by a direct service employee.
29 (G) Training directly associated with administrative functions.
30 (H) Travel directly associated with administrative functions.
31 (I) Licenses directly associated with administrative functions.
32 (J) Taxes.
33 (K) Interest.

1 (L) Property insurance.

2 (M) Personal liability insurance directly associated with
3 administrative functions.

4 (N) Depreciation.

5 (O) General expenses, including, but not limited to,
6 communication costs and supplies directly associated with
7 administrative functions.

8 (P) Consultants and professional services, including, but not
9 limited to, accounting and legal services.

10 (Q) Distributions to shareholders.

11 (R) Advertising costs.

12 (S) Conference, convention, and meeting costs.

13 (T) Facility and office equipment costs, including, but not
14 limited to, rent, lease, and mortgage payments, directly associated
15 with administrative functions.

16 (U) Transfers to a corporate parent or franchisor, including, but
17 not limited to, franchise fees, fees for copyright or trademark usage,
18 fees for advertising materials, royalty fees, or conference fees.

19 (V) Other general operating and overhead costs.

20 (2) "Direct service expenditures" means all amounts actually
21 paid and all accounts payable, as calculated in accordance with
22 generally accepted accounting principles, in the following
23 categories:

24 (A) Wages and benefits, including state, federal, and local
25 payroll taxes, workers' compensation and unemployment insurance
26 premiums, and recruiting, training, orientation, and background
27 checks for respite care aides.

28 (B) Expenses substantially similar to those in subparagraph (A)
29 that are directly related to the provision of in-home respite services.

30 (3) "Financial management services" means services as defined
31 by Section 4685.7 and any similar service, including, but not
32 limited to, payroll duties, processing payments for the
33 reimbursement of services, and other employer responsibilities
34 that are required by federal and state law, when the agency is the
35 employer for those purposes, but the consumer or his or her family
36 member recruits the worker.

37 (4) "Service agency" means an organization or corporation that
38 provides in-home respite services, as defined in Section 4690.2.

39 (b) (1) Notwithstanding Section 4629.7 or any other law, all
40 regional center contracts or agreements with contracting entities

1 that provide in-home respite services, as defined in Section 4690.2,
2 and that have an annual revenue attributable to in-home respite
3 services provided to regional center consumers of at least seven
4 million dollars (\$7,000,000), shall expressly require that at least
5 85 percent of regional center funds be spent on direct service
6 expenditures. Direct service expenditures shall not include
7 administrative costs.

8 (2) A contracting service agency may meet the annual revenue
9 attributable to in-home respite services specified in paragraph (1)
10 in either of the following ways:

11 (A) The annual revenue of the contracting service agency that
12 is attributable to in-home respite services provided to regional
13 center consumers, excluding financial management services, as
14 defined in paragraph (3) of subdivision (a), and other administrative
15 services, meets or exceeds seven million dollars (\$7,000,000).

16 (B) The annual revenue of the contracting entity's parent
17 organization that is attributable to in-home respite services provided
18 to regional center consumers in this state, excluding financial
19 management services, as defined in paragraph (3) of subdivision
20 (a), and other administrative services, whether earned directly by
21 the parent organization or by subcontractors and subsidiaries of
22 the parent organization, meets or exceeds seven million dollars
23 (\$7,000,000).

24 (c) Consistent with subdivision (b), service providers and
25 contractors, upon request, shall provide regional centers with access
26 to books, documents, papers, computerized data, source documents,
27 consumer records, or other records pertaining to the service
28 providers' and contractors' rates.

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