

AMENDED IN SENATE JULY 6, 2015
AMENDED IN ASSEMBLY JUNE 1, 2015
AMENDED IN ASSEMBLY MAY 6, 2015
AMENDED IN ASSEMBLY APRIL 21, 2015
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1400

Introduced by Assembly Member Santiago

February 27, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1400, as amended, 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.

- 1 (F) Contract and procurement activities, except those provided
- 2 by a direct service employee.
- 3 (G) Training directly associated with administrative functions.
- 4 (H) Travel directly associated with administrative functions.
- 5 (I) Licenses directly associated with administrative functions.
- 6 (J) Taxes.
- 7 (K) Interest.
- 8 (L) Property insurance.
- 9 (M) Personal liability insurance directly associated with
- 10 administrative functions.
- 11 (N) Depreciation.
- 12 (O) General expenses, including, but not limited to,
- 13 communication costs and supplies directly associated with
- 14 administrative functions.
- 15 (P) Consultants and professional services, including, but not
- 16 limited to, accounting and legal services.
- 17 (Q) Distributions to shareholders.
- 18 (R) Advertising costs.
- 19 (S) Conference, convention, and meeting costs.
- 20 (T) Facility and office equipment costs, including, but not
- 21 limited to, rent, lease, and mortgage payments, directly associated
- 22 with administrative functions.
- 23 (U) Transfers to a corporate parent or franchisor, including, but
- 24 not limited to, franchise fees, fees for copyright or trademark usage,
- 25 fees for advertising materials, royalty fees, or conference fees.
- 26 (V) Other general operating and overhead costs.
- 27 (2) “Direct service expenditures” means all amounts actually
- 28 paid and all accounts payable, as calculated in accordance with
- 29 generally accepted accounting principles, in the following
- 30 categories:
- 31 (A) Wages and benefits, including state, federal, and local
- 32 payroll taxes, workers’ compensation and unemployment insurance
- 33 premiums, and recruiting, training, orientation, and background
- 34 checks for respite care aides.
- 35 (B) Expenses substantially similar to those in subparagraph (A)
- 36 that are directly related to the provision of in-home respite services.
- 37 (3) “Financial management services” means services as defined
- 38 by Section 4685.7 and any similar service, including, but not
- 39 limited to, payroll duties, processing payments for the
- 40 reimbursement of services, and other employer responsibilities

1 *that are required by federal and state law, when the agency is the*
2 *employer for those purposes, but the consumer or his or her family*
3 *member recruits the worker.*

4 (4) *“Service agency” means an organization or corporation*
5 *that provides in-home respite services, as defined in Section 4690.2.*

6 (b) (1) Notwithstanding Section 4629.7 or any other law, all
7 regional center contracts or agreements with contracting entities
8 that provide in-home respite services, as defined in Section
9 4690.2, and that have an annual revenue attributable to in-home
10 respite services provided to regional center consumers of at least
11 seven million dollars ~~(\$7,000,000)~~ (\$7,000,000), shall expressly
12 require that at least 85 percent of regional center funds be spent
13 on direct service expenditures. Direct service expenditures shall
14 not include administrative costs.

15 (2) A contracting ~~entity~~ service agency may meet the annual
16 revenue attributable to in-home respite services specified in
17 paragraph (1) in either of the following ways:

18 (A) The annual revenue of the contracting ~~entity~~ service agency
19 that is attributable to in-home respite services provided to regional
20 center consumers, excluding financial management ~~services~~
21 services, as defined in paragraph (3) of subdivision (a), and other
22 administrative services, meets or exceeds seven million dollars
23 (\$7,000,000).

24 (B) The annual revenue of the contracting entity’s parent
25 organization that is attributable to in-home respite services provided
26 to regional center consumers in this state, excluding financial
27 management ~~services~~ services, as defined in paragraph (3) of
28 subdivision (a), and other administrative services, whether earned
29 directly by the parent organization or by subcontractors and
30 subsidiaries of the parent organization, meets or exceeds seven
31 million dollars (\$7,000,000).

32 (c) Consistent with subdivision (b), service providers and
33 contractors, upon request, shall provide regional centers with access
34 to books, documents, papers, computerized data, source documents,
35 consumer records, or other records pertaining to the service
36 providers’ and contractors’ rates.

O