Assembly Bill 649: Selected Human Resource and Financial Implications

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Submitted to:

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I. Overview

What we were asked to do and a brief summary of our responses

Last October (2002), the Service Employees International Union (SEIU) asked *Allen, Shea & Associates* (ASA) to study the fiscal implications of a proposed major change in California's developmental disabilities services system: creation of Workforce Service Centers (WSC) to serve as administrative employers of direct service workers, performing certain human resource functions, and working alongside program managers (agencies, and individuals and families without an agency affiliation) who are responsible for hands-on services to Californians with developmental disabilities and their families. (**Note**: We were not asked to take, nor have we taken, a position on the legislation developed by the SEIU.)

SEIU asked ASA to provide answers to several interrelated questions: (A summary of our answers are in italics.)

1. **Within community developmental services, how many people work in direct service capacities for individuals with developmental disabilities and their families?**
   Exhibit A provides estimates of the number of individuals working within selected segments of the community developmental services system, funded through the Departments of Developmental Services (DDS) and Rehabilitation (DOR). Additional detail may be found in Chapter II. The segments shown in Exhibit A account for about three-quarters of regional center Purchases-of-Service (POS) outlays, plus follow-along supported employment and Work Activity Programs for individuals with developmental disabilities funded through DOR. By comparing full-time-equivalents (FTEs) with total number of individuals, one can see that users of non-agency vendored services employ a

disproportionately large number of part-time workers. This is because 'vouchered respite' (i.e., parents as vendors) dominates the picture, and most respite hour allocations are small numbers of hours per person per month (e.g., 10, 14, or some similar number).

Exhibit A. Estimated Employment in Selected Industry Sectors

	Individuals			Full-time-Equivalent
Industry segment	**Total**	**Full-time (or more)**	**Part-time**	**(FTE)**
Community-care residential	30,000	20,000	10,000	26,000
Day programs, *look-alikes*, & Hab	16,250	13,250	3,000	14,750
Independent/supported living services	15,000	9,000	6,000	12,000
Non-agency vendored services (e.g., in-home respite, transportation)	30,000	1,000	29,000	6,000
Total	**91,250**	**43,250**	**48,000**	**58,750**

2. **Within the industry, what is the cost (whether easily measured in financial statements or not) of various human resource functions?**

   The cost of replacing direct service workers, due to turnover, is estimated to be at least $100 million per year, and could be as much as $200 million. These estimates, developed in Chapter IV, are predicated on use of on-call, substitute workers to fill vacancies while longer-term replacements are sought. To the extent that vacancies are left uncovered, with work spread among co-workers and supervisors, thereby reducing service quality, the estimates overstate the direct financial impact of excessive turnover.

   Payroll services may currently amount to about $6 million per year ($10 per month x 50,000 employees).[1] *Based on estimates of pay and benefits in*

[1] This number is less than the 91,250 workers in Exhibit A because some program managers doubtless pay cash and many workers, especially in community-care residential settings, are self-employed or technically, unpaid family workers.

industry segments of interest (See Exhibit A), and assuming that workers compensation premiums are 16% of wages and salaries in community-care residential services, and 6% in all other segments, workers compensation insurance may cost as much as $50 million to $75 million per year. Our estimates take into account the fact that self-employed individuals are not required to carry workers compensation insurance, and many non-agency vendors probably rely on homeowner's or renter's insurance to handle worker compensation claims. The extent of non-coverage is unknown, and therefore uniform coverage under WSCs could add to overall worker compensation costs. The same could be true of liability coverage for the actions (or inactions) of workers. Based on an assumption that liability coverage may average 1 to 1.5% of all costs, we believe that employers in the industry segments under consideration may be spending $17 million to $25.5 million per year for liability insurance. Even though regional centers insist that most vendors name their regional center as an "additional insured," regional centers carry their own liability insurance. Absent a legislative solution to shared responsibilities involved, WSCs could add to the total expense of liability insurance – if both WSCs and program managers feel a need for liability insurance coverage.

We have no current estimates of how much is currently spent by program managers for benefits and benefits management. Nevertheless, we know that many program managers offer health plans for their full-time employees. Therefore, for discussion purposes only, we present an estimate for "health benefits" in Exhibit B, on the next page. If 60% of full-time workers had health benefits costing employers $200 per person per month, the total outlay would be $62 million per year. Hence, we express the estimate as a range from $50 million to $75 million per year. If large group purchasing could achieve a savings of 15%, savings would be $7.5 million to 11.25 million per year. To the extent that additional funds are forthcoming to improve wages *and benefits, we believe that WSCs, by using group purchasing power, will be able to access a more complete array of attractive benefit options of interest to workers and their program managers. Because unemployment compensation is experience-based, and because WSCs will help in retaining temporarily unemployed individuals as part of the direct care workforce, we do not see cost-savings for unemployment insurance. Nor do we assume that unemployment insurance costs will increase. A labor exchange (i.e., registry) can help unemployed individuals find work. We do not have a basis for estimating the present cost of "other, miscellaneous human resource work," and therefore have nothing to contribute to an argument that WSCs will impact such costs one way or the other.*

What we have said about the cost of various human resource functions, as presently performed, is summarized in Exhibit B, below.

Exhibit B. Estimated Annual Cost of Various Human Resource Functions

Human resource function	Dollars
Dealing with employee turnover	$100,000,000 to $200,000,000
Payroll (checks, deposits, reports)	$6,000,000
Workers compensation	$50,000,000 to $75,000,000
Unemployment insurance	No estimate
Liability insurance	$17,000,000 to $25,500,000
Health benefits	$50,000,000 to $75,000,000
Benefits management	No estimate
Other, miscellaneous human resource work	No estimate

NOTE: See text for underlying assumptions, and reasons for not making estimates in some cases.

3. **Which functions might rationally (effectively and efficiently) be centralized in a Workforce Service Center (WSC), serving as employer? Which functions would logically stay with program managers?**

WSCs should be able to provide cost-effective payroll, registry (referral of qualified workers to program managers), initial basic training (e.g., First Aid *and CPR), and certain benefit management services. The latter includes workers compensation, unemployment insurance, group purchasing of health insurance, retirement (e.g., pensions), and other benefits. Program managers will continue to recruit, select, orient, train, direct, evaluate, promote and terminate workers. Some will want to use a WSC registry to supplement existing recruitment channels. Non-agency program managers, in particular, may be eager to use WSCs in a variety of ways, including accessing benefits and needed insurance, and accounting for payroll and other expenses (i.e., serving as a financial intermediary). Assigning responsibility for training, broadly, between and among WSCs and program managers will take time and collaboration. Absent changes in state law, liability insurance is likely to be duplicative. The comparative cost of workers compensation and unemployment insurance will depend on several factors, including changes in the extent of coverage, and the dynamics of large WSCs and many small program managers and the extent to which they behave in ways that minimize unemployment, injuries, and help people get back to work. Both WSCs and program managers will want to keep some personnel records.*

4. **How much would it cost to establish and operate Workforce Service Centers, under various assumptions about number, duties, and responsibilities?**

   After estimating the number the direct support professionals[2] *per WSC and the costs associated with personnel, core and self-determination functions, and overhead, we estimate the costs for thirteen WSCs to be $34,480,526 in the first year of full operation. Phase-in costs anticipated for the first couple of years of operation are considerably less. The details of full-operation*

[2] We use the terms *direct service worker, direct support professional,* and *direct support worker* interchangeably in this report.

estimates can be found in Chapter IV: The Costs of Operating Workforce Service Centers.

5. **What system gains and service improvements might be realized by organizing human resource work in a new way? Besides efficiency gains stemming from specialization and division of labor, would WSCs aid in attracting and retaining a higher quality workforce, provide better access to a wide range of affordable employee benefits, help reduce the cost of workers compensation, and assist in other ways (e.g., increase federal financial participation in developmental services in the community)?**

   If additional funds were available to support higher wages and benefits, WSCs could be part of a strategy to attract and retain a higher quality workforce. In time, WSCs should be able to negotiate better deals for a wide range of employee benefits (e.g., health, vision, dental, retirement, disability insurance for the self-employed), and reduce the cost of workers compensation for some (but not all program managers)[3] – if WSCs, program managers, and direct service workers are wise and adept at controlling worker compensation costs. Improvements in the direct service workforce, including greater stability, could be helpful in getting greater federal financial participation in community services in California. In addition, addressing geographic rate differentials and needless dislocation to obtain services could move California forward in supporting more regular lives through self-determination and by facilitating services and supports outside licensed settings.

[3] Some program managers (with employees) do not have workers compensation coverage, despite the fact that such insurance is mandatory. Some employers may have "special deals" related to occupational classifications, worked out in the past, that give them lower rates than may be available through WSCs at this time.

What we have done

Our work is based on our knowledge of the service system, and on interviews, conversations with providers and policymakers, participation in workgroups that have looked at major aspects of the WSC proposal (in concept form), analysis of existing data, and a review of relevant literature.

The rest of this report

In Chapter II, we describe the *community developmental services industry,* and its workforce. That workforce includes many on payroll, plus self-employed individuals, unpaid family workers, and people treated as if they were independent contractors. In Chapter III, we describe, in general terms, human resource functions. In Chapter IV, we examine those tasks (e.g., separation costs, recruitment, orientation and initial training, temporarily reduced productivity) that are largely a function of turnover. Employee turnover is discussed in detail for several reasons: (1) the economic and human costs involved; (2) the relationship between excessive voluntary turnover and service quality; (3) widespread agreement among stakeholders that turnover needs to be reduced; and (4) the fact that the Workforce Service Center concept may be part of a strategy to reduce turnover and improve the overall quality of services and supports. In Chapter V, we turn to those on-going tasks and expenses (e.g., payroll processing, on-going benefits management, insurance) that are not closely tied to turnover. Chapter VI presents estimates of the cost of establishing and operating Workforce Service Centers, under a number of assumptions about number, roles, and responsibilities. Aside from a set of appendices, Chapter VII concludes this report by discussing opportunities for aligning the Workforce Service Centers proposal with the needs and aspirations of various stakeholders.

Some policy leaders (especially within regional centers) have suggested focusing on non-agency program managers, such as individuals using a self-determination mode, and parent vendors of in-home respite, transportation, and other services. We believe that WSCs, working closely with regional centers, can assist in the development of an efficient infrastructure to support self-determination. Assembly Bill 649 includes elements that begin to correct for geographic inequities in funding, in service availability, and in the proportion of adults who live in their own homes rather than in licensed places. As presently envisioned, WSCs will generate information of value to DDS, regional centers, families, individuals and advocates. Much of this information would be helpful with policy, system planning, and quality enhancement.

II. The Industry and Its Workforce

The industry

One can define the *community developmental services industry* in several ways. Whichever way is chosen, certain employers serving individuals with intellectual and other developmental disabilities will be included, others excluded. Initially, SEIU asked us to look at (1) day programs (including respite), (2) independent and supported living services, (3) community-care facilities (CCFs), and (3) transportation. Including so-called *look-alikes,* these service categories account for nearly three-fourths of all purchase-of-service (POS) funds spent through California's 21 regional centers. The State's budget for Community Services in 2002-03 is $2,259,667,000 (estimated), with $1,806,782,000 for Purchases of Service. Most of the remainder goes for regional center Operations.

Within community-care facility settings, some part of the *board and care* portion of Supplemental Security Income/State Supplemental Payments (SSI/SSP) and of Social Security Disability Insurance (SSDI) goes for a base level of care (labor services), although there are practically no Level 1 (SSI Only) CCFs serving individuals with developmental disabilities. Most Social Security money pays for food, clothing, and shelter. Social Security benefits for *board and care* in CCFs exceed $200 million each year. Habilitation funding through the Department of Rehabilitation (DOR) amounts to about $140 million per year. Habilitation pays for Work Activity Programs (WAPs, or sheltered workshops) and Supported Employment (competitive employment, with support) for individuals with developmental disabilities. Those who work with clients in WAPs, but are not "sheltered workers" (individuals with developmental disabilities), are included in this report as direct service workers. The Department of Developmental Services (DDS) will take over responsibility for this program from DOR, if the Legislature agrees with the Governor's 2003 budget proposal. Finally, while we include CCFs in our analysis, Assembly Bill 649 excludes services in long-term health care facilities. About 8,000 regional center clients use the services of community Intermediate-Care Facilities (ICFs of various kinds) and Skilled Nursing Facilities (SNFs), at a cost of $300 to $400 million per year.

Certain other services have been excluded from this study, including early intervention services (0-3 year olds) and a variety of therapies sometimes funded by DDS (e.g., behavior, speech). Also excluded is a broad array of services and supports not funded through DDS but available to many individuals with developmental disabilities, including In-Home Supportive Services (IHSS); health and mental health services; and educational services from preschool through postsecondary education (both regular and special).

Many employers offering services in licensed CCFs, other residential services (independent and supported living), and/or day programs limit their services to individuals with intellectual and other developmental disabilities. This means that they use a single funding stream: State and federal budgeted dollars through the Department of Developmental Services, to regional centers. Yet, many other program managers use multiple funding streams, and some serve non-regional center clients. This is especially true for Work Activity Programs and some supported employment agencies.

Most CCFs that serve individuals with developmental disabilities work closely with regional centers, and get most (if not all) of their POS dollars through the developmental services system. Other operators of CCFs provide services for an array of individuals, including children in foster care, adults with substance abuse or psychiatric disabilities, and elders needing (and wanting) non-medical residential services. Some CCF providers also provide long-term health care services (e.g., intermediate-care facilities/developmentally disabled – habilitative or nursing, ICF/DD-Hs and DD-Ns).

Many service providers, especially the larger non-profits with day program offerings, receive gifts and donations and/or generate funds from *businesses* intended to provide training, employment, and revenues from any net profits. In California, the backbone of the CCF system is so-called "Mom and Pop" operators of care homes. Sometimes, more than one family member provides services (care and supervision) to individuals living in the home. Not infrequently, a second earner works outside the home, and some of that person's earnings may be used to underwrite certain costs of care.

The direct service workforce and labor market

California's developmental service system has about 8,000 employers, not counting about 30,000 individuals and family members who are *vendored* to buy various services for their family members with developmental disabilities. Most of these *non-agency*, program managers are authorized to bill regional centers for respite services or transportation. Often, some or all of the services are delivered by family members or close friends, typically providing respite or transportation on a part-time basis. Table 1 shows estimated number of workers (full- and part-time) and FTEs for each of the major developmental service categories.

Table 1: Estimated Employment in Selected Industry Sectors

	Individuals			Full-time-Equivalent (FTE)
Industry segment	**Total**	**Full-time (or more)**	**Part-time**	
Community-care residential	30,000	20,000	10,000	26,000
Day programs, *look-alikes*, & Hab	16,250	13,250	3,000	14,750
Independent/supported living services	15,000	9,000	6,000	12,000
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Total	**91,250**	**43,250**	**48,000**	**58,750**

Community-care residential services

Approximately 4,600 community-care facilities (CCFs) in California provide licensed residential services for about 24,000 individuals (children and adults). Some are quite large, meaning that they provide services to 7 or more individuals (sometimes, 16 or more). The *modal* care home serves six individuals, typically two to a bedroom. In many regional centers, there is an on-going effort to vendor new providers to serve no more than four individuals. This often gives unrelated individuals (often strangers) their own bedrooms, which is more consistent with the California Constitution than doubling-up, two to a bedroom. Section 1 of Article 1 of the California Constitution reads: "All people are by nature free and independent and have inalienable rights. . . [among which are] pursuing and obtaining safety, happiness, and *privacy* [emphasis added]."

We estimate that CCFs use the services of about 30,000 workers, including owner-operators and unpaid family workers. We believe that about 10,000 of these individuals -- including many unpaid (or partly paid) family workers -- work part-time, while many owner-operators work far more than *full-time,* as conventionally measured (40 hours per week). Others who are employed as *live-in's* work long hours as well, especially in Level 2 and 3 homes. Counting "being available at night," many individuals in these two categories represent two or three *full-time-equivalents* (FTE), because they cover 56 nighttime hours each week, plus 80-90 awake hours per week.[4] We believe that the 30,000 individuals represent about 26,000 FTEs, and that 24,000 or so of these FTEs provide direct services most of the time. Both owner-operators and non-owner-operators – especially in Level 4

[4] These numbers are based on the following assumptions: (1) 7 days x 8 hours per day = 56 nighttime hours per week; (2) 7 days x 16 hours per day = 112 awake hours per week; (3) all residents in outside major day activities (e.g., school, day program, employment) an average of 24 hours per week; (4) 1 month = 4.33 weeks; (5) base level of staffing in all CCFs of 623.5 hours per month; (6) Level 3 homes provide, on average, 182 additional hours per month of service; (7) Level 4 homes provide, on average, 600 additional hours of service (over and above Level 2); (8) FTE = 172 hours per month in Level 2 & 3 homes; and (9) FTE = 160 hours per month in Level 4 homes.

homes, but in Level 3 homes as well – typically hire wage and salary workers to get the work done, and to meet programmatic and licensing expectations.

Day programs, *look-alikes*, and Habilitation services

About 35,000 adults with developmental disabilities participate in regional center-funded day programs of one kind or another. We estimate that traditional day programs employ about 12,250 workers, most of whom work essentially full-time (35 to 40 hours per week). Beyond these 35,000 adults in regional center-funded day programs (including work programs similar to DOR-funded *supported employment),* there are about 18,000 Californians with developmental disabilities in Work Activity Programs (WAPs) and Supported Employment (SE), funded through the Habilitation Division of the Department of Rehabilitation (DOR). We estimate that, aside from sheltered workers, 1000 individuals work in WAPs (mostly full-time), not including temporary production workers supplementing the work of clients when there is a lot of work to be done. There may be another 3,000 providing supported employment services, about half part-time.

Independent and supported living services

In November 2002, there were 212 Independent Living Programs (Service Code 520), and 60 Independent Living Specialists (Service Code 635). The former generally serve sizable numbers of individuals. On the other hand, independent Living Specialists, working out of their homes, typically serve no more than 7 or 8 individuals if working full-time. As self-employed individuals, many work part-time. Approximately 8,000 regional center clients receive independent or supported living services. By convention, *independent living services* are time-limited (2 years or so), and generally an individual will rarely (if ever) receive as many as 40 hours a month of service (more typically, 15 or so). *Supported living services* are not predicated on *time-limitation,* and can range across individuals from a few hours a month to around-the-clock support. Indeed, there are a few instances wherein individuals with very severe behavior problems have two personal assistants with them all (or, nearly all) of the time. We estimate that (beyond hours paid for through IHSS) about 15,000 individuals are employed in independent and supported living services. Perhaps two-fifths of the 15,000 (or, 6,000) are part-time employees. As with licensed residential services, some live-in attendant/companions work far more than full-time. We believe that 12,000 is a reasonable estimate of FTEs in this segment of the industry.

Non-agency vendors of respite, transportation, and other services

Last November, there were 25,642 family member vendors for in-home respite, serving nearly 40,000 individuals. There were only 66 agency vendors in the same category (in-home respite). Another 1,248 in-home respite workers were vendored. For the most part, these are individuals working out of their own homes. In addition, 2,273 family members were vendored to provide transportation, and perhaps as many as 500 non-family individuals were also vendored to do transportation. So, all told, across in-home respite and transportation, nearly 30,000 "non-agency vendors" are involved in the delivery of these two services. While there may be about 30,000 individuals employed in the provision of these "non-agency" services, we believe that this amounts to 6,000 FTE or so.

III. Human Resource Functions

Overview and private sector examples

Most small and medium-size employers do not have a *personnel* (or, *human resource) officer* (or, *specialist)* who spends essentially 100% time on human resource activities. An administrative assistant and/or bookkeeper may spend much of their time on human resource matters, generally in collaboration with a number of other middle- and senior-level managers and, sometimes, contract consultants (e.g., for certain kinds of training, such as Positive Behavioral Support).

Across the country and for many industries, there are a number of firms offering not only payroll services, but help with staffing (e.g., temporary hires or contingent workers) and other human resource functions. Quite a number provide back-office, administrative, or employer-of-record services. Outsourced services can ease the work burden of program managers, help avoid problems associated with any skirting of independent contractor rules, and give program managers and workers an opportunity to see whether a long-term employment relationship makes sense. Temporary help agencies and other employers of contingent workers typically provide an array of insurance coverages (e.g., Workers Compensation, Unemployment Insurance), including various forms of liability insurance (e.g., extra automobile). Some offer their customers (i.e., programmatic employers) benefit packages as well. The cost of various services is typically billed to the employer using contingent workers. According to *USA Today* (November 17, 2002), "Many businesses now outsource operations such as payroll, security, human resources and lawn service to third-party providers. The $150 billion industry has become entrenched because companies see outsourcing as a way to reduce costs and focus on their core operations."

With this background in mind, we devote Chapter IV to employee turnover and the human resource functions and costs associated with turnover. One service that *temp agencies* and public authorities for In-Home Supportive Services can provide is access to pre-screened potential workers for consideration as *New Hires* by program managers. WSCs will provide this service. In Chapter V, we turn to other human resource functions not closely tied to employee turnover. There we discuss payroll services, insurance, benefits, workforce development (e.g., working with educational institutions around work-study and internships), and related human resource functions.

Beyond any common, widely accepted core training, such as CPR and First Aid, we assume that program managers will continue to be responsible for initial orientation and training related to their work, and for directing the work of direct service workers. Included here is on-going training, motivating workers, evaluating performance, deciding on pay and "perks" not provided by WSCs, and promoting, retaining, or dismissing workers (e.g., sending them back to the WSC).

Employers and program managers

Assembly Bill 649 uses two terms in referring to "employers," as this term is commonly understood. WSCs would be *employers,* and self-vendors and agencies using direct service workers in the provision of services would serve as *program managers.* Further, Assembly Bill 649 would charge the California Secretary of Health and Human Services with responsibility for figuring out the way in which public funds would flow within the industry, so that the quantity and quality of services is responsive to the needs of individuals with developmental disabilities.

Perhaps the simplest (and quickest) way to get started would be for vendors, operating under Purchase of Service (POS) authorizations, to bill as they do currently, and for WSCs, in turn, to bill vendors for services provided and expenses incurred on behalf of program managers and the employees for whom they are jointly responsible.

Alternatively, WSCs could bill regional centers and the Department of Rehabilitation, and program managers could do the same. In this case, segmentation of the over-all *rate* for various services could provide opportunities to correct rather obvious differences geographically in the use of certain services (e.g., independent and supported living), and to strengthen the say-so of those who use services and their constructively involved family and close friends. In licensed homes, for example, some observers see merit in two separate rates: one for the basics of food, clothing, shelter (and basic furnishings), incidentals, and perhaps a basic level of service; the other for additional services and supports. Conceivably, two rates could give those served greater control and choice of program manager.

Necessarily, for the envisioned future to be fruitful, employers and program managers will need to develop effective working relationships. This will involve workforce development (e.g., internships, work-study, training responsibilities, career paths), recruitment, and a variety of other matters. One issue on the minds of leaders of various agencies is worker loyalty. We now turn to that important matter.

The worker loyalty issue

A number of provider agencies have voiced concern over the possibility that the establishment of Workforce Service Centers (WSCs) will diminish or wipe out the loyalties that their workers have for them (as program managers). In response to this concern and in an attempt to understand how worker's loyalties are established and maintained and how they may transform with the establishment of the WSC, Shea Cunningham conducted a literature review and found two relevant studies on this topic (Barringer & Sturman; Lowe, Schellenberg, & Davidson).

The Cornell study by Barringer and Sturman reviewed existing studies and surveyed contingent workers in the Northeast of the United States. Because the WSC model is similar to a temporary agency (or, to an administrative employment agency that processes payroll, workers compensation, liability insurance and pensions, and the like, for other employers), findings from the Cornell study would seem relevant to the loyalty issue.

According to Shea Cunningham, these studies suggest:

1. Contrary to popular belief, the organizational commitment of most workers surveyed to employers where they work is relatively high.

2. Loyalty has traditionally been an important commodity of exchange; employer loyalty, in the form of job security, is exchanged for employee loyalty in the form of organizational commitment. Contingent workers traditionally do not enjoy job security. However, job security may be improved through the WSC rather than diminished, because it will likely facilitate movement among employers within the developmental services industry. Nonetheless, programmatic employers can provide contingent workers other valued commodities in order to build loyalty, including organizational support, satisfactory relations with co-workers, satisfactory pay, and satisfactory work. In other words, if program managers afford their workers favorable working conditions, workers will develop (or maintain) their organizational commitment. The willingness of a worker to make a commitment to an organization is influenced by their perceptions of how committed that organization is to them.

3. Contingent workers, who interact with managers at both administrative and programmatic employers (program managers), develop distinct perceptions of organizational support and form distinct attachments to both.

4. Some worker loyalty is developed for the administrative employer, since their pay may be set there, and their checks cut there. If pay is perceived as low, worker loyalty toward the administrative employer is also likely to be low.

This may not affect their loyalty to the employer where they work. It would seem to follow that provider agencies may be able to pass this burden on to the WSC (at least while wages remain low). Intrinsic satisfaction with jobs rests with provider agencies and individuals, as the work itself, the work environment (including job design and co-worker relations) is the responsibility of these program managers.

5. Perceived organizational support is a more significant factor in the development of worker loyalty than pay and job satisfaction. Positive perceptions of organizational support are possible even in the absence of job security or close working relationships.

6. Women exhibited higher levels of programmatic commitment than men, a finding that is consistent with previous studies. This is particularly interesting given that women constitute a majority of direct service workers in developmental services.

Cunningham concludes by saying, compared with the loyalties that workers have now to their employers (i.e., program managers), new, distinctively different loyalties to WSCs will be created with their establishment. As long as provider agencies continue to provide good working conditions and a supportive environment (beyond pay) for their workers, the WSC should not threaten the loyalties already established by them.

IV. Employee Turnover

Turnover, and its *economic* and *human* costs

The lack of qualifications and relevant experience, combined with excessive turnover, results in both *economic costs* and significant *human costs* as well. Two systematic national studies, and at least ten state studies, have placed the turnover rate among community direct support workers at 50-70% per year (Larson, Lakin & Bruininks, 1998). In California, a State Auditor's study is consistent with the national picture. The State Auditor surveyed day programs, respite agencies, and independent/supported living providers, and found over a 3.5-year period (1996-1999), turnover averaged 50% per year (California State Auditor, 1999). Moreover, a secondary analysis of the California State Auditor's raw data shows an upward trend in the separation rate from 1996 through 1999 for most of the positions in the survey, both full- and part-time (Schmeling, 2003).

In places where the turnover problem has been addressed (e.g., British Columbia), the annual turnover rate is close to 10% per year, similar to the rate at California's developmental centers. In Wyoming, where the government recently increased pay (wages, benefits) for workers in community direct support positions by 51%, data for the first three months post-pay-increase revealed that, on an annualized basis, labor turnover in developmental services declined from 52% to 37% (Lakin, 2003).

High turnover has three pernicious effects. First, turnover absorbs considerable resources that could be used to provide direct services and supports. Secondly, excessive turnover results in the degradation of services (both quantity and quality), when one relies on inexperienced, casual labor and vacancies are left unfilled or are covered by supervisors, co-workers, or temporary, on-call personnel. Third, and very importantly, high turnover defeats individual growth and development, and is associated with risk of premature death, greater illness and disability, ruptured relationships, an inordinate need to adapt to different caregivers, and even feelings of guilt (when the individual wonders why a caregiver left).

Immediate economic effects

The *cost of turnover* is notoriously difficult to measure among small and medium-size enterprises, inasmuch as human resource functions are spread across a number of positions, from the chief executive officer (or, head of household) on down. A frequent rule of thumb is that these costs amount to one-third of the annual salary for the position. So, if the average annual (FTE) wage and salary expense were $22,500 ($18,000 x employer taxes and benefits at 25%), replacement costs would be $7,500 per vacancy. Multiplying 58,750 FTE x the 0.50, an assumed turnover rate = 29,375 new hires (FTE) each year. At $7,600 per FTE new hire, the economic cost of turnover would be well above $200 million per year.

Assuming 50,000 FTE direct support workers have average earnings of $16,100 per year (14,000 x 1.15, because of self-employment and unpaid family workers), and if average turnover cost were 25% of each FTE's annual compensation, the cost of turnover would be 50,000 FTE x 0.50, the assumed turnover rate = 25,000 new hires (FTE) each year. At $4,025 per FTE new hire, the economic cost of turnover among these segments of the industry would be just over $100 million a year.

Empirical studies of the cost of turnover are fairly scant, and usually quantify only direct replacement costs to the employer (separation, recruitment, orientation and initial training).[5] Productivity losses, and inefficiencies in dealing with vacancies, are typically not included. A recent academic survey of hotel, retail

[5] This paragraph is based on the work of Dr. Carol Zabin, Chair of the UC Berkeley Center for Labor Research and Education, from her report "Direct care workers in the human services: labor market impacts on the quality of services for people with developmental disabilities," a report commissioned by the Public Interest Law Center of Philadelphia, 2003.

and restaurant employers in Santa Monica, California, for example, found that it cost an average of $2,090 to replace a non-managerial worker whose average salary was about $7.50 per hour (Pollin and Brenner, 2000). This survey used a narrow definition of turnover costs that included only costs of separation, recruitment and training, and not productivity losses. Recent estimates produced by the human resource industry for low-wage service workers include $3,500 (Society for Human Resource Management), $3,637 (Coca-Cola Retailing Research Council), $4,000 (American Management Association), $4,100 (American Hotel and Motels Association), and $8,000 (Hay Group and Superb Staff Services). These studies are cited in Reich, Hall, and Jacobs (2002). Braddock's 1992 study of direct care workers for people with developmental disabilities calculated average replacement cost of $4,300.

Human costs

Three features of turnover in developmental services are especially important, for they relate to the quantity and quality of service. First, when providers do not fill vacancies, but simply spread the work, the fiscal effects are less, unless regional center fiscal audits result in pay-backs, or lower payroll outlays are offset by higher workers compensation claims (as when one worker hurts his or her back doing a lift that should be performed by two workers). Second, if vacancies go unfilled, by definition there is degradation in the service (quantity, if not quality, but typically both). Third, studies of turnover in community developmental services place the annual rate from dismissal alone at about 15% (Larson, Lakin & Bruininks, p. 7; Lakin & Bruininks, 1981). While not all dismissals are attributable to less-than-adequate performance, high firing rates are indicative of poor quality work.

With funds from the national Center for Disease Control and Prevention, a group of researchers at the University of Montana (Traci, Szalda-Petree, and Seninger, 1999) has looked at the relationship between caregiver turnover and the incidence of injury and use of health services. Over a two-year period, two-thirds of 266 adults with developmental disabilities had experienced a change in their personal assistant (PA). This continuing longitudinal study found that ". . . individuals who experienced a change in PA had significantly more secondary conditions that limited participation, more emergency room visits and more hospitalization days during the past year than did individuals not changing PAs. Furthermore, individuals who experienced a change in PA had significantly more injury-related secondary conditions than did individuals without a change in PA." Adding together hospital stays, emergency room visits, and physician visits, the Montana researchers estimated these health care costs at $1,302 per person with a change in PA, compared with $364 per person without a change in PA.

When asked about frequent turnover among caregivers, individuals with developmental disabilities talk about uncertainty, not being able to get out of bed or do other things, having to adapt to the different ways individuals provide support, and feelings of guilt when thinking about why a person may have left them. The most tragic effects revolve around not knowing individuals well, and making serious mistakes in providing care. In developing modules for California's Direct Support Professional (DSP) curriculum, one of the authors asked a consulting pharmacist: "What is the most critical skill a DSP needs to handle medications properly?" Without hesitation, he replied: "fluency in the English language." He went on to explain the importance of being able to communicate well with the prescriber, and knowing what to look for, and what to be concerned about. He illustrated his point with an example. A care giver had two blister packs, one labeled "AM" and the other "PM," with a month's supply of medication. The care giver incorrectly assumed that the AM pack had to be exhausted before starting the PM pack.

In watching for signs and symptoms of illness or dysfunction, Carol Fowler, M.D., wrote to a physician-in-training in the MEDICAL-DD listserve (MEDICAL-

DD@LISTSERV.NODAK.EDU) (Burns, 2003): "What I have noticed most in the 16 years I have worked with people with DD, is that continuity of care is even more important than it is for other people. Often the only clue you may have that there is a significant new medical problem is a subtle change in demeanor, eating or behavior, and you'll completely miss this if the person sees a different doctor each time they come in." New, inexperienced direct service staff face this same issue.

Another *human cost* is loss in the developmental purpose of developmental services. That purpose is for the person to grow in personal and social confidence and skill, for the person to participate increasingly in the life of the community, for the person to advance from segregated and congregate settings to *having a life* and real jobs in integrated settings with real pay, rather than continuing to be consigned to workshops and "handicapped-only" recreation and leisure activities. Developmental purposes, like self-help and independence, are not possible without the sustained, sensitive and skilled relationship between the person with a disability and those who assist, and that relationship is often impossible without sufficient pay to minimize turnover.

Activities associated with turnover

Many (but not all) human resource tasks are largely a function of turnover (and, sometimes, in growth in number of employees). These include:

- **Recruitment.** – This function typically involves placing help-wanted advertisements, posting flyers, using public (and, sometimes, private) employment agencies, responding to inquiries, initial screening (e.g., brief phone interview), taking job applications, setting up and conducting interviews, checking references, discussing findings, extending provisional job offers, and following up on TB tests, health screenings, fingerprint or other background checks (e.g., drug screen), establishing a basic personnel record, completing other paperwork, and the like.[6]

- **Separation, vacancy (and reduced productivity).** – This function can involve severance pay, exit interviews, handling grievances around dismissal, arranging for temporary, on-call coverage while the position is vacant, or handling the vacancy in other ways (e.g., by spreading the work among co-workers, or using administrative or managerial personnel to fill-in).

- **Orientation, training, and reduced productivity.** – This function involves initial orientation, pre-service, and in-service training of *New Hires*, and dealing with a multitude of problems and issues that reflect "learning by doing." Not infrequently, service providers say that it takes six to twelve months for a new direct service worker to reach full productivity.

Reducing excessive turnover, which inhibits *quality*

High turnover is endemic in community developmental disability services. Program managers have adapted to high turnover, and struggle to envision a future in which turnover is of more modest proportions (say, 10% rather than 50% per year).

Would the turnover rate among direct support workers respond to improved wages and benefits? The answer is doubtless *Yes*, but the extent of change in the rate is less certain because overall labor market conditions play a very important role. Aside from level of wages and benefits, variables impacting voluntary turnover include job opportunities (or tightness of the labor market), the relative attractiveness of various job offers (e.g., comparative pay and benefits), the intrinsic nature of various kinds of work, opportunities for advancement, employer-employee relations, and the like.

[6] Beyond the items already mentioned specifically, recruitment generally includes acquiring for the personnel record an I-9 form, criminal record statement, Department of Motor Vehicle driving record, insurance declaration page (e.g., if expected to drive), transcripts/licenses/other credentials, and copies of CPR/First Aid cards, and signed copy of the organization's personnel policies.

With these factors in mind, it is instructive to look at some recent studies of wages and benefits in relation to *change* in turnover rates. Reich, Hall, and Jacobs (2002) recently looked at the impact of the passage of a living wage policy (called the *Quality Standard Program*) among airport security workers at the San Francisco airport. Their study showed that when wages increased from $5.75-$7.00 *before* the institution of the policy to $10.00 plus health benefits *afterwards*, turnover dropped from 110% per year to 25%. For other jobs in which the wage improvements were smaller, the drop in turnover was smaller as well, but in all cases there was an inverse correlation between wages and turnover. In addition, employers reported an increase in the numbers of people applying for jobs, that applicants were more skilled, and that average job performance improved.[7]

A study of homecare workers in San Francisco (Howes, 2002) analyzed the impact of large wage increases for In-Home Support Services (IHSS) due to both the adoption of San Francisco's living wage policy and a collective bargaining agreement with SEIU. The Howes study showed that between 1997 and 2001, as wages rose from the minimum wage to the current rate of $10.00 plus health and dental benefits, turnover dropped by 30%. In terms of the pool of available homecare workers, there was a 54% increase in the number of IHSS workers in San Francisco, reversing a long-standing problem of inadequate supply. This occurred in unlikely circumstances, when unemployment was at historically low levels in San Francisco in the midst of the economic boom of the late 1990s.

A third *before and after* study analyzed the impact of wages and benefit increases for community developmental services in the State of Wyoming (Wyoming Health

[7] This paragraph, and the two which follow, are based on the work of Dr. Carol Zabin, Chair of the UC Berkeley Center for Labor Research and Education, from her report "Direct care workers in the human services: labor market impacts on the quality of services for people with developmental disabilities," a report commissioned by the Public Interest Law Center of Philadelphia, 2003.

Department, 2002). With the express purpose of reducing turnover and increasing quality, the wages for direct care workers in all adult developmental services funded by the State of Wyoming were increased from $5.15 per hour to $7.50, and average total compensation (wages plus benefits) increased from $9.08 to $13.74 per hour, or by 51%. Using data from the first post-increase survey, which was carried out 3 months after the wage-and-benefit increase, it was found that the 51% increase in compensation led to a 29% drop in turnover. As current and potential new workers have time to adjust to the new reality of higher wages, turnover is expected to go down even more.

One final experience is British Columbia, where the Provincial Government in the mid-1990s sought to support unionization of much of the direct service workforce in community developmental disability services. With only about 90 program managers, the provincial government supported differential rates to encourage unionization of selected services. Today, about half of B.C.'s developmental service workers belong to two public sector unions. The 'entry' (or trainee) wage is $16-$17 (Canadian) per hour, and the 'journeyman' wage is about $23 (Canadian) per hour. Besides wages and salaries, most unionized direct support workers have an excellent benefit package involving paid vacation and holidays, and a pension or retirement plan. One major employer with whom John Shea talked reported that, with unionization and collective bargaining, his agency's turnover declined dramatically. Last year, he reported that turnover was less than 6%. An Associate of Allen, Shea & Associates recently spent some time with the employer in question, and reported being very impressed by the knowledge and skill of direct support workers with whom he spoke. "They clearly think of their work not just as a job, but as a career," he said. The entry-level wage is high enough that nine institutions of postsecondary education (mostly community colleges) offer credential and diploma programs, and employers can insist that the workers they hire have had relevant training and experience.

Incentives for education and training

Two studies (Lakin & Bruininks, 1981; Larson & Likin, 1999) outside California show an involuntary turnover rate of about 15% in community developmental disability services. A rate this high suggests that many untrained, inexperienced workers are attracted to work in this field. Knowing little about what to expect and often receiving inadequate training and support, many employment relationships turn sour, and the person is dismissed. We believe that a much improved entry-level wage, reflective of comparative wages and differential tightness in labor markets, would go a long way to provide an *incentive* for individuals to get volunteer experience and occupationally-relevant training toward a clearer career goal. DDS is to be commended for two sizable wage pass-throughs, in recent years, tied to competency testing and, as needed, successful completion of about 70 hours of quality training for Direct Support Professionals (DSPs) working in CCFs. The present program, offered through California's Regional Occupational Centers and Programs (ROCs/Ps), is an excellent start. If wages and salaries can be improved, we see no reason why more adult schools, community colleges, and other postsecondary institutions will not offer more education and training for direct service workers.

Reducing excessive turnover will cost

Simply as a heuristic exercise, we have modeled large wage and benefit increases to project effects on the turnover rate and the cost of addressing turnover. In the industry segments of interest for this study, if one were to assume a doubling of direct-service worker pay and benefits, total outlays would rise by about $1 billion per year. If this reduced the annual turnover rate from 50% per year to 10-15% per year, the cost of turnover would drop by about $100 million per year. This estimate assumes that the cost of filling vacancies would continue to be about one-third of each position's annual pay and benefits.

V. Other Human Resource Functions

Beyond dealing with turnover, and taking on additional workers in response to growth, here are other, on-going functions (or tasks) in the human resource area – some of which could be handled by WSCs, working cooperatively with program managers:

Payroll, and employee records

1. *Payroll service*. Often, this involves reviewing time cards or time sheets, resolving any ambiguities, calling in payroll, cutting checks, making tax deposits, reporting payroll to IRS and EDD, and sending W-2s to SSA, EDD, and employees. This service is often contracted out, with program managers doing the work up to and including calling in payroll, and payroll services doing all (or most) of the rest.

2. *Benefits management*. This typically involves signing up or declining health insurance, selecting a retirement plan (if any), keeping track of accrued vacation and sick leave, dealing with worker compensation and unemployment insurance claims, COBRA, etc. This function also embraces shopping around for insurance (e.g., worker liability, extra automobile, workers compensation, etc.), and deciding on benefit packages (e.g., cafeteria plans).

3. *Other human resource administration.* – This can involve EEO-1 filing/affirmative action program, federal and state posting requirements, personnel forms development, job descriptions, organizational charts, personnel policies, handbooks, performance appraisal systems, risk management, safety, working on morale and/or productivity problems, arranging for back-up, on-call services, dealing with fines, penalties, or

employee lawsuits, or anything else beyond ordinary direction, supervision, and on-going training of employees.

Many employers, including very small ones, use an outside payroll service, simply because it is typically cost-effective to contract out tasks associated with payroll than to do them in-house. Beyond cutting checks, this service may include all of the following: records for a bookkeeper or accountant; making tax deposits; and submitting reports to SSA, IRS, and EDD, quarterly and at the end of the year.

If 60,000 of the workers in the industry segments listed in Table 1 were to receive checks currently cut by outside payroll services, at an average cost of $10 per person per month, the cost would be 60,000 x $10 x 12 = $7,200,000 per year. If all 91,250 needed CPR and First Aid, and if a basic (combined) course cost $50 every two years, the annual training expense in these basic areas would be another $2,281,250. If half the program managers used a WSC registry – often in addition to other methods of recruitment -- and paid $50 for every job order to a WSC,[8] for direct service workers in the industry segments in Table 1, payments for registry services would be about $1,000,000 per year.

Benefits, workers compensation, unemployment and other insurance

Benefits (e.g., health and retirement plans)

As for health insurance, retirement plans, and the like (e.g., temporary disability insurance for self-employed individuals), WSCs could offer program managers and

[8] $50 per job order is completely hypothetical, and reflects one of the author’s experience as a program manager of a very small service. A help-wanted advertisement in a local newspaper typically costs about $175 for two weeks. He sends flyers and job announcements to the local One-Stop Career Center, to fellow program managers who are willing to post job openings, and to student employment offices at a handful of nearby colleges and universities. All require time and energy, but only making flyers and taking out classified advertisements involve dollar outlays. Since a help-wanted advertisement might (in a soft labor market) generate a dozen inquiries, $50 does not seem unreasonable if a WSC were in a position to refer three pre-screened workers in response to a job order.

their employees a wider array of benefit options at prices lower than individual employers can obtain.

We talked with representatives of Blue Cross/Blue Shield, and were informed that the power of purchasing for large groups is diminishing. Once, it may have been as much as 40%. It would be less now, but still of value. The public nature of WSCs would lessen the risk dramatically, as large insurance companies like large and stable payers. A combination of public nature and group purchase by one entity, and administrative centralization, would be of major benefit from the insurer's perspective.

Because public funds are involved, and WSCs are to be local government entities, we believe that WSCs will be able to access CalPERS, the State's Public Employees Retirement System, which provides retirement benefits and health insurance for 1.3 million Californians. In time, it may be possible for WSCs to serve as a vehicle for the purchase of a broader array of health and other benefits, with some administrative cost savings, of interest to program managers and their workers. If employers were covering 60% of full-time workers in Table 1 with a basic health benefit costing the employer $200 per person per month, the cost would be about $62,000,000 per year. If group purchasing could save 15%, the savings would be $9,342,000 per year.

Workers compensation

Workers compensation premiums have been "going through the roof." Nearly every employer in the State is facing very large increases. Providers of community-care residential services, for example, are experiencing increases from $11 or $12 per $100 of payroll, to about $16 per $100 of payroll. One complex organization, providing a variety of residential and non-residential services, has had premiums increased to about $25 per $100 of payroll, in part because of recent claims by its employees[9]. A more typical rate for day program providers is 6% of payroll. These extraordinary increases in workers compensation premiums are the result of a number of complex, interrelated factors to numerous to detail here, including serious under-reserving of claims.[10]

It appears that until there is significant legislative/regulatory reform in the insurance industry, rates will continue to rise to compensate for the market conditions that prevailed in the last half of the 1990s, and failures of carriers will continue to put extraordinary upward pressure on rates charged by the California Insurance Guarantee Association (CIGA).[11]

There are three ways for employers to purchase worker's compensation insurance: (1) through a private insurance company, (2) through the state (State Workers Compensation Insurance Fund), and (3) becoming self-insured. Through the State Workers Compensation Insurance Fund, California's insurance carrier and the most competitive insurer in the state:

- Premiums and rates are based on the type of worker insured (there are 280 classifications), the hours worked (part-time or full-time), and the size of the employer (measured by payroll based on number of workers to be insured).

[9] While this is typical, some employers have faired better. For example, one sizeable non-profit, with working relationships with educational institutions, has very low workers compensation rates (much below 16% or 25% or even 6% of payroll), stemming from a favorable categorization of much of the workforce some years ago.

[10] As of December 31, 2000, the Workers' Compensation Insurance Review Board estimated that the amount of statewide reported reserves were $7.1 billion below the estimated ultimate cost of incurred claims.

[11] State of the Workers' Compensation Insurance Industry in California, California Commission on Health and Safety and Workers' Compensation. April, 2002.

- Rates and premiums are determined the same way for both public and private entities.

- Employers with premiums over $30,000 (a WSC would definitely exceed this figure) can receive up to a 10% "merit" discount.

- Employers that pay more than 50% of worker's health insurance and use Kaiser or the Fund's preferred provider network will get an additional 10% discount.

- If the WSC qualifies as a trade association or can align itself with one (The Fund recognizes and insures over 200 associations), it would be eligible for an additional 6% off the premium.

We conclude that a WSC of reasonable size could reap a sizable discount of 26%.[12] In the case of small employers not taking advantage of the maximum savings available in Workers Compensation (26%), WSC purchasing of Workers Compensation Insurance for program managers would realize some savings, unless the absence of such coverage is fairly extensive, which it could be in the case of some "Mom and Pop" care homes, where few individuals are on payroll.

Currently, we estimate workers compensation insurance outlays at $50 million to $75 million per year across the industry segments in Table 1. In terms of the interests of program managers, it would be helpful if the State of California would provide a sizable subvention for Workers Compensation insurance through WSCs (say, half the cost), and cooperate with others in sensible programs to minimize

[12] One agency's CEO told us that her agency is spending about 4% of operating costs on Workers Compensation insurance. This probably means that the rate per $100 of wages and salaries is about 6%. Her agency purchases coverage from the State Compensation Insurance Fund, through the CRA/ARC Coalition. They use Kaiser as their health care provider. Thus, her agency and some others may already be getting the maximum 26% discount.

risks and avoidable losses, and to get injured workers the health care they need to get back to work as soon as possible.

The ever-increasing Workers' Compensation Insurance premiums gives incentive to investigate alternatives to purchasing coverage on the open insurance market. Labor Code Section 3700 (c) requires that "every employer except the state shall secure the payment of (workers') compensation in one or more of the following ways: … (c) for any…public agency (Workforce Service Center)…by securing from the Director of Industrial relations a certificate of consent to self-insure against workers' compensation claims" subject to the provisions of Section 3702 of the California Labor Code.[13]

Self-insurance by Workforce Service Centers would require that in at least one WSC, an insurance unit be established to administer the program. This unit would be responsible for compliance with applicable sections of the Labor Code as well as managing, investigating and servicing claims, maintaining adequate reserves, completing self-insured annual report(s) as required, and overseeing any third-party arrangements contracted for under this arrangement.

By self-insuring, Workforce Service Centers would accomplish two significant outcomes. First, it would allow WSCs to gain tight control on claim losses through:

- intensive safety programs designed specifically to meet the needs of workers in the industry; and

- development of tighter definitions of employee classifications, specific to differing types of developmental disabilities programs, and the concomitant experience rates that go into their experience modification rates.

[13] See Appendix 5, California Labor Code 3700-3709.5.

Secondly, like State Fund, it could return excess premiums in any premium year beyond its costs for administration, claim loss, and legal fees, back to its insureds (the 13 WSCs) as dividends or in the form of reduced premiums.

As recently as 1999, the average workers compensation premium for private entities was $2.34 per $100. Public entities, who are generally self-insured, seem to put away about 1.4% of payroll for WC claims. So the public nature of the WSC could be a major advantage, although the work of direct service workers and their experience will ultimately determine the rate to be paid.

Unemployment insurance

Most unemployment insurance in California is handled through payroll taxes collected by the Employment Development Department (EDD). Some large, non-profit employers use Trust Funds established to offer a self-insurance option. Either way, taxes (or premiums) are experience rated. Unemployment compensation has several purposes, one of which is to maintain the attachment of trained and experienced workers who are temporarily unemployed to an industry. This could increase unemployment compensation. At the same time, the existence of a registry may make it easier for unemployed workers to find work, thereby reducing the average duration of unemployment. We would not hazard a guess as to which effect may be predominant. Unlike some industries (e.g., manufacturing, mining, construction), the developmental services industry is probably less likely to experience cyclical unemployment problems.

Other insurance

We know of several vendors that use about 1 to 1.5% of their revenue for liability insurance. If this percentage applied across the board, some $17 million to $25.5 million would be spent each year by all vendors for liability insurance. Regional Centers build liability insurance costs into negotiated rates and require vendors to be covered. Regional Centers have agreements with providers that state that providers will not hold regional centers liable if anything happens to consumers in their care. Some providers believe that this is unwise public policy, because inadequate funding can increase the likelihood of "bad things" happening, suggesting there is a shared responsibility for reasonable safety (certainly from deliberate harm and perhaps, negligence).

Tri-Counties Regional Center pays $213,000 or 1.2% of total expenditures for liability insurance. WSCs may need liability insurance as well. To avoid needless duplication of insurance premiums, and to encourage proper risk management, we suggest that this area be studied carefully. A California state agency can assume third party (read: providers) liability, if statutory basis can be identified ("indemnification"). It will take legislation to remove some of the liability insurance burden off the backs of providers and regional centers. Establishing shared liability is defined by agreement, and would also need to be legislated. However, history reveals the public entities do not want to put themselves at such risk. Hence, cost-effective legislation may be slow in coming.[14]

As for worker liability and related insurance (e.g., extra automobile), we are less sanguine about any cost savings. The Executive Director of the Public Authority (PA) in Los Angeles County, through which about 75,000 home care workers are employed, indicates that liability insurance for his public authority costs between $10 and $15 million per year. Few employers of home care workers carry their own liability insurance. In many instances, the risks are slight because the program manager has little to lose, or may own his home and have homeowner's insurance that might provide some coverage. But, in the world of agencies

[14] A non-profit organization called Nonprofits' Insurance Alliance of California (NAIC) operates a liability insurance pool for 501(c)(3)s exclusively. The WSC cannot utilize this if it is a public entity, but it is a way for small providers to reduce their costs. Very few provider agencies in developmental services are covered under NAIC. Under 30% of NAIC's clientele pay $2,000 annually, while approximately 50% pay under $5,000.

providing services, it is very likely that both WSCs and agency employers would want to carry liability insurance, inasmuch as tort cases often involve multiple defendants, and could include regional centers, WSCs, program managers, and individuals in the search for "deep pockets." We would urge careful consideration of legislative remedies that would enable funders, WSCs, and program managers to avoid needless duplication of insurance through "shared responsibility" and indemnification by the State of California.

VI. The Costs of Operating Workforce Service Centers

Core functions

We understand the core functions of a Workforce Service Center to be the following:

- serve as employer for direct support professionals (DSPs) providing services and supports to Californians with developmental disabilities;

- provide basic human resource services (e.g., registry, training) to DSPs and those who use their services;

- offer 'core' services for individuals in the self-determination *mode of service* (see next section for a description of those supports).

In light of the core functions above, we were asked to estimate the cost of operating and maintaining thirteen WSCs. After discussions of self-determination functions as well as estimates of agency and non-agency providers, we offer a fiscal 'picture' of the costs involved in the operation of such centers.

Self-determination functions

In order to develop a good estimate of personnel costs, we have summarized the functions of self-determination supports as follows:

Fiscal Intermediary[15]

[15] These definitions were excerpted from the Department of Developmental Services in a document titled *The California Self-Determination Pilot Projects.*

The WSC could offer a fiscal intermediary service. The service would include the management of funds (e.g., making payments, accounting for expenditures) on behalf of an individual as directed by the individual, family, or circle of support.

Individual Budgets

Each Center could also provide support in developing and negotiating individual budgets.

Support Broker

If provided by the WSC, a support broker helps arrange for the specific services and supports an individual needs. The broker helps define the needs of the individual, provides information about resources, identifies potential providers, and arranges contracts for services.

Person-Centered Planning

Each Center could employ an experienced team of trainers and facilitators who can use a variety of approaches to person-centered planning. A good person-centered plan is the foundation for the individual budget. The plan identifies an individual's strengths, needs, and resources.

Estimates of Direct support professionals

Another element in the costing WSCs is estimating the number of direct support professionals (DSPs). In this section, we offer approximate estimates of DSPs as well as expenditures.

Agency employees

We were asked to report on the estimated number of direct support providers employed by agencies along with associated expenditures for selected regional center services. At present, we estimate that those services represent about 50% of all direct support professionals and about 60% of the total expenditures for community services for individuals with developmental services in California.

We report on what are considered to be the two major categories of agency services. Those services are: (a) licensed, community care living arrangements; and (b) adult day programs.

Based on actual caseload expenditure data from the Department of Developmental Services, our estimates include a number of assumptions: (1) proportional distribution of individuals using adult day program across regional centers at a 1:2 (individual to FTE) ratio; and (2) an average, statewide hourly wage of $8.57 (includes Social Security benefits). Details on these estimates by WSC can be found in Appendix 2. Below is a summary of what we have estimated about each of those categories:

Table 2:
Summary of Selected Agency Services

Category	**Total Estimated Annual Expenditure**	**Total Estimated FTEs**
Community Care	**$450,239,767**	**26,216**[16]
Adult Day Programs	**$405,118,530**	**23,589**
TOTAL ESTIMATES	**$855,358,297**	**49,805**

Non-Agency employees
We were also asked to report on the estimated number of direct support providers not typically employed by an agency along with the associated

[16] Tables 1 and 2 were compiled independent of each other and yet, are almost identical estimates.

expenditures for selected regional center services. At present, we estimate that those services represent about 5% of all direct support professionals and as about 5% of total expenditures for community services in California. However, it has been estimated that in the future some 20-40% of all services will be provided through individual budgets and non-agency sources of support.

We report on what are considered to be the four major categories of non-agency services. Those services are: (a) individuals in the self-determination pilots; (b) single home supported living services; (c) respite provided by family members or individual respite workers; and (d) transportation provided by family members or individual drivers. Here is what we know or have estimated about each of those categories:

Self-Determination Pilots. We know the number of individuals currently involved in each of the five pilots. While there have been some tentative cost estimates developed across the pilots, they have not yet been released to the public. In order to estimate costs, we have used the average of statewide means for supported living services provided to individuals with physical, mental health or behavioral challenges. These are likely to be the closest 'match' with vendored services that have established cost data.

In addition to individuals in the pilots, we have learned that it is likely that all regional centers have developed individual budgets (either controlled by the regional center or by a fiscal intermediary) for individuals that are difficult to serve, have requested alternative services, or are geographically isolated from service providers. We estimate that number to be 1 per 1,000 individuals served based on the experience of one regional center.

Single Home Supported Living Services. At this time, no one is certain of the number of individuals vendored to 'broker' services for themselves or a family member. However, several sources suggest that there are 50 across the state.

Again, in order to estimate the cost of these services, we have used the average of statewide means for supported living services provided to individuals with physical, mental health or behavioral challenges. We think that this is likely to be the closest 'match' to single home supported living services.

Family Members or Individual Respite Workers. In this "aggregate' category, we were provided with actual statewide expenditures for 2001, hourly rates and the number of vendors.

Family Member or Individual Driver Transportation. In this "aggregate' category, we were provided with the number of vendors. In order to estimate costs, we assumed an average 25 miles round trip at .345 per mile times 20 days per month.

When we had to assume a rate for employer taxes and benefits, we estimated a 25% package. All other assumptions are noted in the footnotes in the tables provided in Appendix 2 at the end of this report. In addition, the details of our estimates can be found in the Appendix 2 as well. On the following page, you will find a summary of our findings:

Table 3:
Summary of Findings for Selected Non-Agency Services

Category	Total Estimated Annual Expenditure	Total Estimated FTEs
Individual Budgets	**$15,185,835**	**674**
Single Family Supported Living Services	**$2,609,250**	**116**
Respite-Family Member and Non-Agency Individual Worker	**$80,087,083**	**4,654**
Transportation-Family and Auto Driver	**$6,062,513**	**27**
TOTAL ESTIMATES	**$103,944,681**	**5,470**

While we estimate the *full-time equivalent* of 55,275[17] individuals involved in providing the selected services described in Tables 2 and 3 above, this is a very conservative estimate. There are, in fact, large numbers of part-time workers as well in the total estimate of 100,000[18] workers in California's community-based, developmental services system.

[17] Again, remarkably close to the figures estimated in Table 1 by another consultant.
[18] This figure likely includes all employees involved in community-based, developmental services (e.g., administration, managers, direct support professionals). Some estimates suggest that direct support professionals account for about 80% of all workers (or about 80,000 direct support workers).

Personnel

Once we defined the core functions and approximated the number of DSPs (based on the assumption that there are approximately 80,000 full or part-time direct support professionals; see Table 4 on the following pages), we set about to describe the personnel required to carry out core functions. Tables 5 and 6 summarize our assumptions about personnel. For the subsequent purposes of estimating wage costs associated with personnel, we have used standardized occupational definitions.[19] These definitions approximate duties, responsibilities and mean salary levels.

[19] The Standard Occupational Classification (SOC) System was developed in response to a growing need for a universal occupational classification system. Such a classification system would allow government agencies and private industry to produce comparable data. Users of occupational data include government program managers, industrial and labor relations practitioners, students considering career training, job seekers, vocational training schools, and employers wishing to set salary scales or locate a new plant. It will be used by all federal agencies collecting occupational data, providing a means to compare occupational data across agencies. It is designed to cover all occupations in which work is performed for pay or profit, reflecting the current occupational structure in the United States. –US Department of Labor, Bureau of Statistics. (http://www.bls.gov/soc/socguide.htm)

Table 4:
Estimated Number of Direct Support Professionals by Workforce Service Center

Workforce Service Center	Total of Individuals Served in Statuses 0,1 and 2[20]	Percentage of Total Individuals Served	Estimated Number of Full and Part-time DSPs[21]
WSC I - Area Board I - Redwood Coast Regional Center - Del Norte, Humboldt, Mendocino, and Lake counties	2,645	1.4%	1,120
WSC II - Area Board II - Far Northern Regional Center - Butte, Glenn, Lassen, Modoc, Plumas, Shasta, Siskiyou, Tehama, and Trinity counties	5,113	2.7%	2,165
WSC III - Area Board III - Alta California Regional Center - Alpine, Colusa, El Dorado, Nevada, Placer, Sacramento, Sierra, Sutter, Yolo, and Yuba counties	12,492	6.6%	5,289
WSC IV - Area Board IV - North Bay Regional Center - Napa, Solano, and Sonoma counties	5,801	3.1%	2,456
WSC V - Area Board V - Golden Gate Regional Center - Marin, San Francisco, and San Mateo counties - **Regional Center of the East Bay -** Alameda and Contra Costa counties	17,752	9.4%	7,516
WSC VI - Area Board VI - Valley Mountain Regional Center - Amador, Calaveras, San Joaquin, Stanislaus, and Tuolumne counties	8,125	4.3%	3,440
WSC VII- Area Board VII - San Andreas Regional Center - Monterey, San Benito, Santa Clara, and Santa Cruz counties	9,130	4.8%	3,865
WSC VIII - Area Board VIII - Central Valley Regional Center - Fresno, Kings, Madera, Mariposa, Merced, and Tulare counties - **Kern Regional Center -** Kern county (WSC VIII and XII have been adjusted for Kern, Mono and Inyo counties using a percentage based on Department of Finance population data for July, 2002)	16,789	8.9%	7,108

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[20] Based on caseload data from the Department of Developmental Services. Status 0: Individuals in intake and assessment process. Status 1: Children 0-3 at risk of having a developmental disability or who have a developmental delay but have not been. Status 2: Individuals diagnosed as having a developmental disability and served in the community (not in a Developmental Center).
[21] Based on 80,000 direct support professionals.

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Workforce Service Center	Total of Individuals Served in Statuses 0,1 and 2[22]	Percentage of Total Individuals Served	Estimated Number of Full and Part-time DSPs[23]
WSC IX - Area IX - Tri-Counties Regional Center - San Luis Obispo, Santa Barbara, and Ventura counties	8,496	4.5%	3,597
WSC X - Area Board X - Frank D. Lanterman Regional Center - Central Los Angeles county including Burbank, Glendale, and Pasadena - **Eastern Los Angeles Regional Center -** Eastern Los Angeles county including the communities of Alhambra and Whittier - **Harbor Regional Center -** Southern Los Angeles county including Bellflower, Harbor, Long Beach, and Torrance - **North Los Angeles County Regional Center -** Northern Los Angeles county including San Fernando and Antelope Valleys - San Gabriel/Pomona Regional Center - **Eastern** Los Angeles county including El Monte, Monrovia, Pomona, and Glendora **- South Central Los Angeles Regional Center -** Southern Los Angeles county including the communities of Compton and Gardena - **Westside Regional Center -** Western Los Angeles county including the communities of Culver City, Inglewood, and Santa Monica	56,445	29.9%	23,897
WSC XI - Area Board XI - Regional Center of Orange County - Orange county	13,063	6.9%	5,530
WSC XII - Area Board XII - Kern Regional Center - Inyo and Mono counties - **Inland Regional Center -** Riverside and San Bernardino counties	18,673	9.9%	7,905
WSC XIII - Area Board XIII - San Diego Regional Center - Imperial and San Diego counties	14,440	7.6%	6,113
TOTAL	188,964	100%	80,000

[22] Based on caseload data from the Department of Developmental Services.
[23] Based on 80,000 direct support professionals.

Table 5: WSC Job Classifications

WSC Title	SOC Title	SOC Code	SOC Description	WSC Description
Executive Director	General and Operations Managers	SOC 11-1021	*Plan, direct, or coordinate the operations of companies or public and private sector organizations. Duties include formulating policies, managing daily operations, and planning the use of materials and human resources, but are too diverse in nature to be classified in any one functional area of management or administration.*	Overall planning, administrative and managerial responsibility for WSC. Hire and supervise staff. Policy development. Regular reporting to Board of Directors. Supervises contracts. Overall budget development and oversight.
Service Provider Liaison/ Recruiter	Social and Community Service Manager	SOC 11-9151	*Plan, organize, or coordinate the activities of a social service program or community outreach organization. Oversee the program or organization's budget and policies regarding participant involvement, program requirements, and benefits.*	Primarily responsible for liaison duties with the provider community. Makes presentations to individual or groups of providers about WSC functions/benefits. Completes agency contracts. Manages public relations and advertising budgets.
Network Systems Administrator	Network and Computer Systems Administrator	SOC 15-1071	*Install, configure, and support an organization's local area network (LAN), wide area network (WAN), and Internet system or a segment of a network system. Maintain and monitor network hardware and software to ensure network availability to all system users.*	Install, configure, and support an organization's local area network (LAN), wide area network (WAN), and Internet system or a segment of a network system. Maintain and monitor network hardware and software to ensure network availability to all system users.

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WSC Title	SOC Title	SOC Code	SOC Description	WSC Description
Training Staff	Training and Development Specialists	SOC 13-1073	*Conduct training and development programs for employees.*	Develops long and short-term training plan for employees of the WSC and coordinates same with provider agencies as needed. Responsible for initial orientation and training of new employees. Evaluates satisfaction with training provided.
Self-Determination Techs	Rehabilitation Counselors	SOC 21-1015	*Counsel individuals to maximize the independence and employability of persons coping with personal, social, and vocational difficulties that result from birth defects, illness, disease, accidents, or the stress of daily life. Coordinate activities for residents of care and treatment facilities.*	Self-Determination Techs are primarily responsible for supporting individuals who choose to receive state support through the self-determination mode. (e.g., Person Centered Planning, Individualized budgets, Fiscal intermediary, Service brokerage).
Administrative Assistant	Executive Secretaries and Administrative Assistants	SOC43-6011	*Provide administrative support by performing clerical and administrative tasks. Higher-level executive assistants and administrative assistants may also conduct independent projects and assume greater training responsibilities.*	Provide administrative support (e.g., clerical and administrative). Higher-level executive assistants and administrative assistants may also conduct independent projects and assume greater training responsibilities. Direct supervision of clerks and receptionist.
Payroll Clerk	Payroll and Timekeeping Clerks	SOC 43-3051	*Compile and post employee time and payroll data*	Compile and post employee time and payroll data. Verifies reported hours with agencies or individuals. Opens and closes personnel files. Data entry.

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WSC Title	SOC Title	SOC Code	SOC Description	WSC Description
File Clerk	File Clerk	SOC 43-4071	*File correspondence, cards, invoices, receipts, and other records in alphabetical or numerical order or according to the filing system used. Locate and remove material from file when requested.*	Files correspondence, invoices, receipts, and other records according to the filing system used. Locate and remove material from file when requested. Other duties as assigned.
Benefits Clerk	Payroll and Timekeeping Clerks	SOC 43-3051	*Compile and post employee time and payroll data. May prepare paychecks.*	Completes benefit (dental, health, retirement, etc.) application process, COBRA administration and tracking. Provides information and assistance to employees receiving benefits through the WSC benefit plans. Tracks and processes worker compensation claims.
Registry Worker	Payroll and Timekeeping Clerks	SOC 43-3051	*Compile and post employee time and payroll data. May prepare paychecks.*	Receives and responds to requests for referral of potential employees to agencies or individuals. Data entry. Report production.
Receptionist	Receptionists and Information Clerks	SOC 43-4171	*Answer inquiries and obtain information for general public, customers, visitors, and other interested parties. Provide information regarding activities conducted at establishment; location of departments, offices, and employees within organization.*	Answer inquiries and obtain information for general public, customers, visitors, and other interested parties. Provide information regarding activities conducted at establishment; location of departments, offices, and employees within organization.

To estimate the numbers of positions in each category, we have used the following ratios of positions to number of employees each Workforce Service Center might employ based on interviews with individuals currently employing similar types of workers doing similar tasks.

Table 6: WSC Job Ratios

Position Title	Ratio Position to Employees	Comments
Executive Director	1/WSC	
Service Provider Liaison/Recruiter	1/WSC[24]	
Network Systems Administrator	1/WSC	
Training Staff	1:520	Assumes each direct support professional receives an average of 20 hours/year direct training/in-service time in groups of 10 (includes orientation and on-going education for direct service personnel.) Assumes 50% classroom time per position (1040 hrs/yr/position).
Self-Determination Techs (SDT)	6/WSC	We assume that the four central self-determination support functions of fiscal intermediary (FI), individualized budget (IB), service brokerage (SB), and person-centered planning (PCP), to be done well, requires in the vicinity of 5-50 hours per year, depending upon several factors. These include the number and complexity of services utilized in the person-centered plan, whether or not services are rendered through agency or non-agency vendored service providers, and the availability of needed services within the immediate community. We also assume that about 50% of the SDTs time will be consumed by tasks other than direct person support (meetings, travel, training, etc.). As the *current* number of people with disabilities utilizing the self-determination mode of receiving state support statewide remains miniscule with varying ideas about the rapidity with which this mode of support will grow, we have capped the number of SDTs in each WSC to 6, regardless of size of center. This allows for initial growth of the Self-Determination mode of support to 300 individuals per center and may be adjusted as demand increases.

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[24] Except LA area, which will have more than one.

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Position Title	Ratio Position to Employees	Comments
Administrative Assistant	1/WSC[25]	
File Clerk	1/WSC	
Payroll Clerk	1:1000	Assumes that each Payroll clerk can reasonably be expected to process payroll for one hundred employees per day and that two payrolls per month will need to be processed per employee.
Benefits Clerk	1:1000	Assumes WSC provides it's own customer (employee) support services. Actual numbers of calls vary across the year, but it is not unusual for 1-2 thousand calls per month to be received from insured employees.[26]
Registry Worker	1:1000	Depending on the volume and complexity of calls received, and the number of new applicants in any given time period, this ratio may need to be adjusted.
Receptionist	1/WSC	

[25] Except LA area, which will have more than one.

[26] According to Seabury and Smith, Affinity Support Group. P. Crelan, V.P., this ratio of benefit service personnel to insured workers is used in most commercial benefit support settings. In some cases these positions may be required by law to be licensed by the Department of Insurance.

Assumptions underlying cost estimates

In order to estimate the costs of operating WSCs statewide, a spreadsheet was developed (see Table 7 below) which factors in all of the personnel and operating costs for supporting 1,500 DSPs. A series of spreadsheets were then developed for supporting increasing numbers of DSPs. Economies of scale in personnel and operating costs were factored into these subsequent spreadsheets. A sample developed for supporting 3,000 DSPs can be found in Appendix 3.

Table 7
Estimate of Operating Costs for WSCs
by Number of Direct Support Professionals

# of DSPs in WSC	Annual Budget[27]
1,500	$1,248,003
3,000	$1,702,594
6,000	$2,654,228
7,500	$3,107,269
10,000	$3,916,854
30,000	$9,936,863

We developed a number of assumptions in the creation of the spreadsheets. Below are the major assumptions we used:

Personnel

As previously stated, we defined a set of positions relative to existing positions in several IHSS Public Authorities and Standard Occupational Definitions from the U.S. Department of Labor. Depending on the functions that are ultimately to be performed by the Workforce Service Centers and the number of individuals who utilize them, the array and ratios of positions will significantly change, as will the concomitant costs.

[27] Based on $2.25 per square foot of rental office space.

Self-determination techs

We have included, for example, six self-determination techs (SDTs) in each WSC, based on a number of variables:

- First we calculated the maximum number of positions might be. To do so, we estimated the mean number of hours per consumer per year (25); the number of individuals/families likely to utilize SD mode of service delivery (18,800 - a conservative 10% of all individuals served), and a SDT position year (50% direct service time) = 1020 hrs.

- Next, 25 X 18,800/1040=451.92 position years.

- 452 position years X $39,322 (mean annual salary + 30% benefits) = $17,769,793 **maximum** annual salary and benefit cost statewide to render individualized budgeting (IB), service brokerage (SB), person centered planning (PCP), and fiscal intermediary services (FI).

- Next, we looked at what we estimate current utilization might be and found that number to be 291 individuals (see *Estimated Non-Agency Workers* later in this document).

- Hence, 291 X 25/1040 = 6.99 position years.

- 7 position years X $39,322 = $275,254 = **minimum** annual salary and benefit cost statewide to render IB, SB, PCP, and FI services, currently.

- Realizing that growth in the self-determination mode of receiving services could expand rapidly, if reliable support structures were in place. We elected to cap the number of SDTs to six per WSC for cost estimation purposes, allowing for considerable rapid growth while at the same time reducing first year costs by 83%.

Staff training

The staff training component of the wages and salaries section is scaled to absolute minimums, allowing for only 20 hours of in-service training through WSCs per employee, including initial orientation, each year. Practitioners in the field will readily agree that for any appreciable change in the quality of staff to result, considerably greater staff resources will need to be devoted to the effort. (**Note**: This is not intended to replace the current 70-hour training curriculum and challenge test created by the Department of Developmental Services for direct support workers in community care homes. This would supplement that training on an ongoing basis and expand the training to other direct support workers as well.)

Or, alternatives to direct instruction might be considered. For example, the University of Minnesota through its Institute on Community Integration (ICI), in conjunction with the Sertoma Center in Knoxville, TN, operates an excellent web-based training curriculum called the College of Direct Support. The College of Direct Support (CDS) recognizes the need for DSPs to have easy access to high quality training opportunities built on established competencies and ethical guidelines, and that provide usable information necessary to do the job more effectively, while working toward advanced skills. CDS courses are infused with the Community Support Skill Standards (a set of nationally validated competencies for community human service practitioners) and an established set of ethical guidelines for direct support professionals. The courses are competency based and provide further opportunity for assessment and development of skills after the on-line training is done.[28]

[28] http://www.collegeofdirectsupport.com/about.htm

Operational costs

No attempt has been made to define operational costs beyond wages, salaries, and benefits, capital outlays in the first year and the current cost of commercial office space. Like other organizations of this type, the largest portion of cost (80%) is in the wages and salaries area, leaving the remaining 20% for distribution across a wide spectrum of categories. We would anticipate that the start-up or one-time costs of the Workforce Service Centers will convert in the second and third years to operational costs based on this split, and that in the first year significant wage and salary savings will be realized as Workforce Service Center employees will not come on line all at once.

Office space

We have discovered, not unexpectedly, that the cost of office space has dropped dramatically in the past two years and continues to trend downward. For example in May, 2002, the Urban Land Institute of Washington D.C., estimated that vacant office space between San Jose and San Francisco dropped from an average of $5.34/sq.ft./mo. in 2000 to $2.67/sq. ft./mo. in 2002. We recognize that in some locations our low figure, $1.75/sq.ft./mo. may be well above current asking rental cost in some areas of the state (*e.g.* Central Valley, North Coast), while our high figure, $2.25, may be somewhat below current asking price in other markets (*e.g.* Bay Area, San Jose). However, we do believe that these two figures represent reasonable proxies when estimating office costs on a statewide basis in the current economic environment.

Software

Software costs are estimated at absolute minimums. We have included the cost of CareTracker, a software package most widely used by IHSS Public Authorities. It includes the capacity to manage registry transactions (referrals of employees to programs or individuals needing support staff) and manage benefits for joint employees of the Centers and program managers (see Appendix 4 regarding CareTracker). It also features the capacity to interface with a statewide data system, integrating the payroll function into the CareTracker software. (**Note**: While we would recommend it, we were not able to estimate the cost to WSCs for the development and use of a statewide data system to track payroll, benefits tax filing, etc.) We have also included basic costs for Microsoft Office and associated licenses for multiple users.

Outsourcing certain human resource functions

There are a number of human resource, outsourcing companies sizeable enough to support some or all of the DSPs employed through WSCs statewide. This should be considered as a cost effective and efficient alternative to hiring duplicative staff at each center. For example, Automatic Data Processing (ADP) offers the following 'scalable' solution set[29] for one or all WSCs:

Payroll with HR profile

ADP provides an application that guides staff intuitively through the payroll process and enables them to quickly and reliably retrieve information for reports and inquiries.

Payroll tax filing and deposit

ADP electronically interfaces with 2,000 tax agencies, from the IRS to local school districts. Payroll tax deposits are generated from the standard payroll input. After deposits are made, ADP promptly files all federal and many state returns. ADP assumes responsibility for timely filings and

[29] Excerpted from a report developed by ADP based on WSC employee parameters provided by us to that company.

deposits. ADP will pay penalties assessed by any agency if the filing or deposit was late due to an ADP error or omission.

Unemployment compensation management (UCM)

ADP's Unemployment Compensation Management^{SM} (UCM) services help businesses reduce and control UI claim costs and stay in compliance with changing state regulations. Unemployment insurance is a payroll tax and its costs can be controlled through the prudent management of claims. ADP UCM proactively handles employer's UI claims efficiently and cost-effectively while giving an employer's staff more time for productive core tasks and lowering the company's unemployment compensation expense.

Wage garnishment processing service

ADP automates thousands of garnishment variations, reporting, and payment requirements. ADP accommodates up to six concurrent court orders, per employee, with their many variations and supporting data. As with ADP's Tax-filing services, ADP also takes the responsibility for money movement, paying each agency – or payee destination – directly.

Banking services

TotalPay checks are written on an ADP account at partner banks. ADP assumes responsibility for reconciling the payroll account. They automatically provide a report of 'uncashed' items after 180 days. TotalPay includes direct deposit services for those employees who request.

CD-ROM output for paperless payroll reporting

CD ROM output can complement or eliminate payroll report hardcopy/paper output. All "like frequencies" can be combined onto CD's, which will result in greater efficiency, and ultimately, less cost.

Cobra administration

ADP's systems and processes ensure that companies stay in full compliance.

The cost for this comprehensive service is based on the number of employees supported. For example, ADP estimates the services at $15 per employee at 5,000 'pays' and $10 per month at 10,000 'pays.' There are likely to be even greater economies of scale with the estimated numbers of DSPs statewide.

Estimates of cost by WSC

The following table represents our best estimate of costs for developing thirteen Workforce Service Centers. These costs would reflect the annual total of expenditures needed for WSCs in full operation. A schedule of 'ramp-up costs' could be determined once the phase-in for WSC responsibilities is determined.

Table 8:
Estimated Number of Direct Support Professionals and Annual Operating Costs by Workforce Service Center[30]

Workforce Service Center	Approximate Annual Operating Cost[31]
WSC I - Area Board I - Redwood Coast Regional Center - Del Norte, Humboldt, Mendocino, and Lake counties	**$ 931,668**
WSC II - Area Board II - Far Northern Regional Center - Butte, Glenn, Lassen, Modoc, Plumas, Shasta, Siskiyou, Tehama, and Trinity counties	**$1,228,504**
WSC III - Area Board III - Alta California Regional Center - Alpine, Colusa, El Dorado, Nevada, Placer, Sacramento, Sierra, Sutter, Yolo, and Yuba counties	**$2,339,537**
WSC IV - Area Board IV - North Bay Regional Center - Napa, Solano, and Sonoma counties	**$1,393,810**
WSC V - Area Board V-Golden Gate Regional Center-Marin, San Francisco, and San Mateo counties-**Regional Center of the East Bay-**Alameda & Contra Costa counties	**$3,113,693**
WSC VI - Area Board VI - Valley Mountain Regional Center - Amador, Calaveras, San Joaquin, Stanislaus, and Tuolumne counties	**$1,952,199**
WSC VII- Area Board VII - San Andreas Regional Center - Monterey, San Benito, Santa Clara, and Santa Cruz counties	**$2,193,671**
WSC VIII - Area Board VIII - Central Valley Regional Center - Fresno, Kings, Madera, Mariposa, Merced, and Tulare counties - **Kern Regional Center -** Kern county (WSC VIII and XII have been adjusted for Kern, Mono and Inyo counties using a percentage based on Department of Finance population data for July, 2002)	**$2,944,783**
WSC IX - Area IX - Tri-Counties Regional Center - San Luis Obispo, Santa Barbara, and Ventura counties	**$2,041,340**
WSC X - Area Board X - Frank D. Lanterman Regional Center - Central Los Angeles county including Burbank, Glendale, and Pasadena - **Eastern Los Angeles Regional Center -** Eastern Los Angeles county including the communities of Alhambra and Whittier - **Harbor Regional Center -** Southern Los Angeles county including Bellflower, Harbor, Long Beach, and Torrance - **North Los Angeles County Regional Center -** Northern Los Angeles county including San Fernando and Antelope Valleys - San Gabriel/Pomona Regional Center - **Eastern** Los Angeles county including El Monte, Monrovia, Pomona, and Glendora **- South Central Los Angeles Regional Center -** Southern Los Angeles county including the communities of Compton and Gardena - **Westside Regional Center -** Western Los Angeles county including the communities of Culver City, Inglewood, and Santa Monica	**$7,915,246**
WSC XI - Area Board XI - Regional Center of Orange County - Orange county	**$2,446,475**
WSC XII - Area Board XII - Kern Regional Center - Inyo and Mono counties - **Inland Regional Center -** Riverside and San Bernardino counties	**$3,275,236**
WSC XIII - Area Board XIII - San Diego Regional Center - Imperial and San Diego counties	**$2,704,364**
TOTAL	**$34,480,526**

30 Full operating costs; start-up costs would be lower for the phase-in proposed in the legislation.
31 Based on $2.25 per square foot average for office space.

VII. Opportunities and Suggestions

We turn now to opportunities surrounding the Workforce Service Center concept and implementation. In particular, we discuss:

- WSCs for non-agency program managers, such as individuals using a self-determination mode, parent vendors of respite, transportation, and other services. Some self-advocates and families feel that having WSCs can help them move toward greater freedom and self-determination. WSCs should be able to assist in the development of an efficient infrastructure to support both non-agency vendors and those choosing a self-determination mode.

- How the WSC initiative embodies elements that begin to correct for geographic inequities in funding, in service availability, and in the proportion of adults who live in their own homes rather than in licensed places.

- How WSCs could generate information of considerable value to DDS, regional centers, families, individuals and advocates for policy development, systems planning, and quality enhancement.

Self-determination and non-agency vendors

It is widely believed that the absence of appropriate *infrastructure* stands in the way of greater self-determination. Beyond 150 to 200 individuals and families participating in five self-determination pilots around the State, we believe that there are another 100 to 200 regional center clients receiving services that look very much like arrangements in the pilots. The total could grow rapidly, if the appropriate *infrastructure* were in place. The absence of such support inhibits many individuals and families from becoming more involved in managing their own services and supports.

Beside education, training, and counseling to develop a sense of opportunities and ways of proceeding toward a more self-determined life, four other elements (functions) are important: (1) up-front, high-quality person-centered planning and the building of circles of support; (2) individual budgets; (3) service brokerage, where someone or a group finds the services and supports the person needs and wants; and (4) financial intermediary services, to handle payroll, any needed insurance, and reporting back to the regional center and the person's team, so that money is managed properly. We suggest that WSCs work closely with regional centers to assure that appropriate infrastructure is in place. Regional centers will necessarily be involved in establishing individual budgets, and may want to (and be able to) provide high-quality person centered planning and service brokerage. On the other hand, perhaps only for complex situations, a regional center may prefer that a WSC provide these services.

In addition, if a registry is in place, that service will often be of substantial benefit as well, because the most important element in services and supports typically involve direct service workers. It is hard for very small vendors to get insurance, and many do not want the responsibility of accounting for funds flowing through their hands but not representing "income" to them. They often worry about reporting to IRS and EDD. They don't want the hassle of offsetting costs and outlays against a revenue stream on their own personal tax return.

Geographic dislocation, choice, and *regular lives*

AB 649 recognizes geographic cost differences

Past studies by accounting and consulting firms (Price Waterhouse, 1989; Center for Health Policy Studies, 2000) have shown ambiguous – and sometimes confusing

-- results in terms of geographic differences in the actual, reported costs of many services. Similar "costs" at equivalently-funded *existing* homes or programs should come as no surprise, because reimbursement rates do not vary geographically. The real test of a geographic imbalance between supply and demand is capacity (e.g., beds or slots) per unit of total population. In *Places to Live and Getting Around Town: Needs, Problems, Options, and Possible Solutions,* a report for the State Council on Developmental Disabilities, Allen, Shea & Associates (1989) pointed out that Porterville, with 30,000 residents, had 70 care homes, while Golden Gate Regional Center with 1.5 million residents had some 190 care homes, all but one of small size. In effect, ignoring its developmental center, Porterville had more than 10 times as many "beds" for people with developmental disabilities per unit of population as Marin, San Francisco, and San Mateo Counties, combined. Several factors account for the disparity, most importantly differences in labor and housing costs not reflected in rates of reimbursement. Beyond the major cost factors, human service traditions, attitudes of social workers, resource development efforts, and other factors play a role. A common statewide rate structure, for cost-based day programs and for CCFs, makes it far easier to mount services in lower-cost than in higher-cost areas of the State.

The supply of various goods and services depends on several factors, the most important of which is cost. Supply in the "long run," which is defined as enough time for new suppliers to enter the market and old suppliers to leave, is determined by *average (unit) cost*. The imbalance in supply/demand in high-cost areas results in many citizens having to move to low-cost areas, to secure services and supports not available locally. (**Note**: A detailed explanation of these economic factors, along with a statistical analysis, can be found in Appendix 3.)

The Lanterman Act says: "The contributions made by parents and family members in support of their children and relatives with developmental disabilities are important and those relationships should also be respected and fostered, to the maximum extent feasible, so that consumers and their families can build circles of support within their communities." This is not easy, if to receive needed services, the person with a developmental disability has to be uprooted and move to an area where it is less expensive to develop and provide services. Perhaps realizing that inappropriate decisions might be made if *cost* were the only consideration (e.g., it is much cheaper to build freeways in the Mohave desert than in the San Francisco Bay Area), the Lanterman Act asserts: "To the maximum extent feasible, services and supports should be available throughout the state to prevent the dislocation of persons with developmental disabilities from their home communities." (Section 4501).

Despite 1988 and 2001 recommendations in Departmental cost and rate studies (Price Waterhouse & CHPS, *op cit*.), as well as provisions in state law calling for geographic rate differentials [W&I Code 4681(g) and (j); W&I Code 4681.1(b)(2)], rates established by the Department of Developmental Services contain no geographic differentials to offset the high cost of service provision in the San Francisco Bay Area and at other spots along the Pacific Coast (e.g., Santa Barbara, Santa Monica, several beach communities South of Los Angeles). This assures that costs substantially exceed rates in high cost areas. In turn, this makes it difficult for individuals to get the services they need in high-cost areas. Some individuals are forced to move to lower-cost areas to get services, taking them away from family and close friends. This runs counter to the Lanterman Act provision *to avoid needless dislocation.* Forced relocation geographically is pernicious because being "enmeshed in a web of caring relationships," involving family, friends, and paid workers, helps keep vulnerable people safe (Schwartz, 1992).

To cite an example, one of the authors was asked to assist in figuring out an appropriate living arrangement for a young girl with autism living near Sacramento. The girl had lost her place to live (she had been living with grandparents). Following a statewide search, the girl had been placed in a licensed home in Los Angeles. Hearing nothing from the home, and wanting to see how his daughter was faring, the girl's father flew to Los Angeles, where his daughter had been for about a week. The girl was depressed, emaciated, and had refused to eat everything put before her. The girl's father immediately took her home, and it was at that point that Alta California Regional Center asked Allen, Shea & Associates to get involved. After exploring options, the girl's grandparents decided to take her back into their home.

Here is a second example. Since January 1996, neighborhood pharmacists have made two significant drug-dispensing errors at the home where one of the author's son lives, where he has lived with two friends since 1996. Both errors were discovered quickly by one of the parents, who is a Registered Nurse and who is regularly in and out of the house and who in a volunteer capacity provides training and oversight for the home in the areas of health and nutrition.

These underlying cost differences – both wages and housing – also affect choice of living arrangement. Those in high-cost areas of the State are typically relegated to group homes, whereas those in lower-cost, more rural areas of the State are much more likely to live in their own homes with ILS or SLS services. There are exceptions to this pattern (most notably, Central Valley and Inland Regional Centers), where relatively few adults with developmental disabilities live in their own homes. We believe this reflects traditions within both regional centers and their vendor communities, primarily. A statistical analysis of this pattern is also contained in Appendix 3.

Information of value to others

If *quality* can be assured (and enhanced) by looking more at *outcomes* than *inputs* and *processes*, a direction relatively newly expressed in the Lanterman Act, we would hope that any WSC initiative would help move the system in that direction. We have indicated – in our discussion above of rate differentials - ways that such can be supported.

Without such a shift in focus, which could free-up some resources and would reward greater creativity, WSCs could be a vehicle to generate better information for policymaking and practice. We see this happening in three principal areas:

1. By achieving greater financial accountability, while helping parent and other non-agency vendors manage their budgets and the services provided. This would be through WSCs serving as financial intermediaries, with quality reporting of units of service, expenditures, and the like not only to the vendor, but to the regional center.

2. By having comparable information from WSCs indicating the extent to which agency vendors (day program services, independent and supported living agencies, community-care facilities) adhere to expectations regarding the quantity of labor services delivered.

3. By placing greater attention to turnover and the factors that influence it. Having timely information in this area would be extremely helpful to DDS and other funders.

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Appendices

Appendix 1

Tables on Estimates of Selected Agency and Non-Agency Workers, and Annual Costs by WSC

Appendix 1

Tables on Estimates of Selected Agency and Non-Agency Workers, and Annual Costs by WSC

Table 9: Individual Budgets

Regional Center	Statuses 0,1 and 2[1]	SD Participants[2]	Average Cost[3]	Monthly Costs	Annual Costs	# FTE[4]	Annual Costs with Employer Taxes and Benefits[5]
Alta California	12,492	12	$ 3,479	$ 41,748	$ 500,976	28	$626,220
Central Valley	12,041	12	$ 3,479	$ 41,748	$ 500,976	28	$626,220
East Bay	11,692	11	$ 3,479	$ 38,269	$ 459,228	25	$574,035
Eastern LA	6,550	28	$ 3,479	$ 97,412	$ 1,168,944	65	$1,461,180
Far Northern	5,113	5	$ 3,479	$ 17,395	$ 208,740	12	$260,925
Golden Gate	6,060	6	$ 3,479	$ 20,874	$ 250,488	14	$313,110
Harbor	8,937	8	$ 3,479	$ 27,832	$ 333,984	19	$417,480
Inland	18,454	18	$ 3,479	$ 62,622	$ 751,464	42	$939,330
Kern	4,967	35	$ 3,479	$ 121,765	$ 1,461,180	81	$1,826,475
Lanterman	6,002	6	$ 3,479	$ 20,874	$ 250,488	14	$313,110
North Bay	5,801	6	$ 3,479	$ 20,874	$ 250,488	14	$313,110
North LA	11,950	12	$ 3,479	$ 41,748	$ 500,976	28	$626,220
Orange County	13,063	13	$ 3,479	$ 45,227	$ 542,724	30	$678,405
Redwood Coast	2,645	18	$ 3,479	$ 62,622	$ 751,464	42	$939,330
San Andreas	9,130	9	$ 3,479	$ 31,311	$ 375,732	21	$469,665
San Diego	14,440	30	$ 3,479	$ 104,370	$ 1,252,440	69	$1,565,550
San Gab Pomona	8,894	9	$ 3,479	$ 31,311	$ 375,732	21	$469,665
South Central	8,213	8	$ 3,479	$ 27,832	$ 333,984	19	$417,480
Tri-Counties	8,496	31	$ 3,479	$ 107,849	$ 1,294,188	72	$1,617,735
Valley Mountain	8,125	8	$ 3,479	$ 27,832	$ 333,984	19	$417,480
Westside	5,899	6	$ 3,479	$ 20,874	$ 250,488	14	$313,110
Total (Avg.):	**188,964**	**291**	**$ 3,479**	**$1,012,389**	**$ 12,148,668**	**674**	**$ 15,185,835**

Footnotes:

1. Source: DDS Client Caseload, January 2003
2. Based on known number of participants in pilots; and, estimate of 1 individual budget (e.g., families requests, difficult to serve, geographically remote) per 1,000 persons served by regional center
3. Based on statewide, average mean for SLS services to individuals with physical, medical or behavioral challenges
4. Annual costs divided by average hourly wage of $9 (no benefits), divided by 12 months, divided by 167 hours per month
5. Based on 25% employer tax and benefit package

Table 10: Single Home Supported Living Services

Regional Center	Statuses 0,1 and 2[1]	Percentage of Total	#Vendors[2]	Average Monthly Cost[3]	Total Monthly Costs	Annual Total Costs	# FTE[4]	Annual Total Costs with Employer Taxes and Benefits[5]
Alta California	12,492	6.61%	3.305	$ 3,479	$ 11,499	$ 137,993	8	172,492
Central Valley	12,041	6.37%	3.186	$ 3,479	$ 11,084	$ 133,011	7	166,264
East Bay	11,692	6.19%	3.094	$ 3,479	$ 10,763	$ 129,156	7	161,445
Eastern LA	6,550	3.47%	1.733	$ 3,479	$ 6,030	$ 72,355	4	90,444
Far Northern	5,113	2.71%	1.353	$ 3,479	$ 4,707	$ 56,481	3	70,601
Golden Gate	6,060	3.21%	1.603	$ 3,479	$ 5,579	$ 66,942	4	83,678
Harbor	8,937	4.73%	2.365	$ 3,479	$ 8,227	$ 98,723	5	123,404
Inland	18,454	9.77%	4.883	$ 3,479	$ 16,988	$ 203,853	11	254,816
Kern	4,967	2.63%	1.314	$ 3,479	$ 4,572	$ 54,868	3	68,585
Lanterman	6,002	3.18%	1.588	$ 3,479	$ 5,525	$ 66,301	4	82,877
North Bay	5,801	3.07%	1.535	$ 3,479	$ 5,340	$ 64,081	4	80,101
North LA	11,950	6.32%	3.162	$ 3,479	$ 11,001	$ 132,006	7	165,008
Orange County	13,063	6.91%	3.456	$ 3,479	$ 12,025	$ 144,301	8	180,376
Redwood Coast	2,645	1.40%	0.700	$ 3,479	$ 2,435	$ 29,218	2	36,523
San Andreas	9,130	4.83%	2.416	$ 3,479	$ 8,405	$ 100,855	6	126,069
San Diego	14,440	7.64%	3.821	$ 3,479	$ 13,293	$ 159,512	9	199,390
San Gab Pomona	8,894	4.71%	2.353	$ 3,479	$ 8,187	$ 98,248	5	122,810
South Central	8,213	4.35%	2.173	$ 3,479	$ 7,560	$ 90,725	5	113,407
Tri-Counties	8,496	4.50%	2.248	$ 3,479	$ 7,821	$ 93,851	5	117,314
Valley Mountain	8,125	4.30%	2.150	$ 3,479	$ 7,479	$ 89,753	5	112,192
Westside	5,899	3.12%	1.561	$ 3,479	$ 5,430	$ 65,164	4	81,454
Total (Avg.):	**188,964**	**100.00%**	**50**	**$ 3,479**	**$173,950**	**$ 2,087,400**	**116**	**$ 2,609,250**

Footnotes:

1. Source: DDS Client Caseload, January 2003
2. Assuming proportional distribution of 50 single family supported living service vendors across regional centers
3. Based on statewide, average mean for SLS services to individuals with physical, medical or behavioral challenges
4. Annual costs divided by average hourly wage of $9 (no benefits), divided by 12 months, divided by 167 hours per month
5. Based on 25% employer tax and benefit package

Table 11: Respite-Family Member and Non-Agency Individual Worker

Regional Center	Statuses 0,1 and 2[1]	% of Total	# Parent Provider Vendors[2]	Total Annual Costs of Parent Provided Respite[3]	#FTE[4]	# Vendored In-Home Respite Workers[5]	Total Annual Costs of In-Home Respire Workers[6]	#FTE[7]	Total Costs of Non-Agency Respite	Total #FTEs
Alta California	12,492	6.61%	1695.137	$5,062,025	295	83	$232,358	13	$5,294,383	308
Central Valley	12,041	6.37%	1633.937	$4,879,270	284	80	$223,969	12	$5,103,240	297
East Bay	11,692	6.19%	1586.579	$4,737,848	276	77	$217,478	12	$4,955,326	288
Eastern LA	6,550	3.47%	888.821	$2,654,200	155	43	$121,834	7	$2,776,033	161
Far Northern	5,113	2.71%	693.823	$2,071,897	121	34	$95,105	5	$2,167,001	126
Golden Gate	6,060	3.21%	822.329	$2,455,641	143	40	$112,719	6	$2,568,361	149
Harbor	8,937	4.73%	1212.731	$3,621,463	211	59	$166,233	9	$3,787,696	220
Inland	18,454	9.77%	2504.167	$7,477,955	435	122	$343,255	19	$7,821,209	454
Kern	4,967	2.63%	674.011	$2,012,734	117	33	$92,389	5	$2,105,123	122
Lanterman	6,002	3.18%	814.458	$2,432,138	142	40	$111,641	6	$2,543,779	148
North Bay	5,801	3.07%	787.183	$2,350,689	137	38	$107,902	6	$2,458,591	143
North LA	11,950	6.32%	1621.589	$4,842,395	282	79	$222,277	12	$5,064,672	294
Orange County	13,063	6.91%	1772.620	$5,293,406	308	86	$242,979	14	$5,536,386	322
Redwood Coast	2,645	1.40%	358.921	$1,071,810	62	17	$49,199	3	$1,121,009	65
San Andreas	9,130	4.83%	1238.921	$3,699,671	215	60	$169,823	9	$3,869,494	225
San Diego	14,440	7.64%	1959.476	$5,851,396	341	95	$268,592	15	$6,119,988	356
San Gab Pomona	8,894	4.71%	1206.896	$3,604,039	210	59	$165,433	9	$3,769,472	219
South Central	8,213	4.35%	1114.486	$3,328,083	194	54	$152,766	8	$3,480,849	202
Tri-Counties	8,496	4.50%	1152.889	$3,442,760	200	56	$158,030	9	$3,600,791	209
Valley Mountain	8,125	4.30%	1102.545	$3,292,423	192	54	$151,130	8	$3,443,553	200
Westside	5,899	3.12%	800.481	$2,390,401	139	39	$109,725	6	$2,500,125	145
Total (Avg.):	**188,964**	**100%**	**25,642**	**$76,572,245**	**4459**	**1,248**	**$3,514,838**	**195**	**$80,087,083**	**4654**

Footnotes:

1. Source: DDS Client Caseload, January 2003; 2. Assuming proportional distribution of 25,642 parent provider vendors (Service Code 420) across regional centers

3. Actual statewide total expenditures for 2001; 4. Total expenditure divided by statewide hourly wage of $8.57 (includes Social Security benefits), divided by 12 months, divided by 167 hours

5. Assuming proportional distribution of 1,248 in-home respite worker vendors (Service Code 864) across regional centers; 6. Actual statewide total expenditures for 2001; 7. Total expenditure divided by statewide hourly wage of $8.98 (includes Social Security benefits), divided by 12 months, divided by 167 hours

Table 12: Transportation-Family and Auto Driver

Regional Center	Statuses 0,1 and 2[1]	Percentage of Total	#Vendors[2]	Average Monthly Cost[3]	Total Monthly Costs	Annual Total Costs	Total FTEs[4]	Annual Costs with Benefits[5]
Alta California	12,492	6.61%	154.891	$ 172.50	$ 26,719	$ 320,624	2	$400,780
Central Valley	12,041	6.37%	149.299	$ 172.50	$ 25,754	$ 309,048	2	$386,310
East Bay	11,692	6.19%	144.971	$ 172.50	$ 25,008	$ 300,091	2	$375,113
Eastern LA	6,550	3.47%	81.215	$ 172.50	$ 14,010	$ 168,114	1	$210,143
Far Northern	5,113	2.71%	63.397	$ 172.50	$ 10,936	$ 131,232	1	$164,040
Golden Gate	6,060	3.21%	75.139	$ 172.50	$ 12,961	$ 155,538	1	$194,422
Harbor	8,937	4.73%	110.812	$ 172.50	$ 19,115	$ 229,380	1	$286,725
Inland	18,454	9.77%	228.815	$ 172.50	$ 39,471	$ 473,646	3	$592,058
Kern	4,967	2.63%	61.587	$ 172.50	$ 10,624	$ 127,485	1	$159,356
Lanterman	6,002	3.18%	74.420	$ 172.50	$ 12,837	$ 154,049	1	$192,562
North Bay	5,801	3.07%	71.928	$ 172.50	$ 12,408	$ 148,890	1	$186,113
North LA	11,950	6.32%	148.170	$ 172.50	$ 25,559	$ 306,712	2	$383,391
Orange County	13,063	6.91%	161.971	$ 172.50	$ 27,940	$ 335,279	2	$419,099
Redwood Coast	2,645	1.40%	32.796	$ 172.50	$ 5,657	$ 67,887	0	$84,859
San Andreas	9,130	4.83%	113.205	$ 172.50	$ 19,528	$ 234,333	1	$292,917
San Diego	14,440	7.64%	179.044	$ 172.50	$ 30,885	$ 370,622	2	$463,277
San Gab Pomona	8,894	4.71%	110.278	$ 172.50	$ 19,023	$ 228,276	1	$285,345
South Central	8,213	4.35%	101.835	$ 172.50	$ 17,566	$ 210,797	1	$263,497
Tri-Counties	8,496	4.50%	105.343	$ 172.50	$ 18,172	$ 218,061	1	$272,576
Valley Mountain	8,125	4.30%	100.743	$ 172.50	$ 17,378	$ 208,539	1	$260,674
Westside	5,899	3.12%	73.143	$ 172.50	$ 12,617	$ 151,406	1	$189,257
Total (Avg.):	**188,964**	**100.00%**	**2,343**	**$172.50**	**$ 404,168**	**$ 4,850,010**	**27**	**$ 6,062,513**

Footnotes:

1. Source: DDS Client Caseload, January 2003
2. Assuming proportional distribution of 2,343 family member (425) and auto driver (890) transportation vendors across regional centers
3. Based on average of 25 miles round trip @ .345 per mile times 20 days
4. Total expenditure divided by average hourly wage of $7.50 (no benefits), divided by 12 months, divided by 167 hours per month
5. Based on 25% benefit package

Table 13: Day Programs

Regional Center	Statuses 0,1 and 2[1]	% of Total	# Individuals Using Adult Day Services[2]	Total Annual Costs of Adult Day Programs[3]	#FTE[4]
Alta California	12,492	6.61%	3118.792	$26,781,507	1559
Central Valley	12,041	6.37%	3006.194	$25,814,611	1503
East Bay	11,692	6.19%	2919.062	$25,066,393	1460
Eastern LA	6,550	3.47%	1635.294	$14,042,497	818
Far Northern	5,113	2.71%	1276.528	$10,961,723	638
Golden Gate	6,060	3.21%	1512.959	$12,991,989	756
Harbor	8,937	4.73%	2231.240	$19,159,969	1116
Inland	18,454	9.77%	4607.284	$39,563,395	2304
Kern	4,967	2.63%	1240.077	$10,648,715	620
Lanterman	6,002	3.18%	1498.478	$12,867,644	749
North Bay	5,801	3.07%	1448.296	$12,436,721	724
North LA	11,950	6.32%	2983.475	$25,619,517	1492
Orange County	13,063	6.91%	3261.350	$28,005,670	1631
Redwood Coast	2,645	1.40%	660.359	$5,670,596	330
San Andreas	9,130	4.83%	2279.425	$19,573,740	1140
San Diego	14,440	7.64%	3605.136	$30,957,810	1803
San Gab Pomona	8,894	4.71%	2220.504	$19,067,781	1110
South Central	8,213	4.35%	2050.484	$17,607,790	1025
Tri-Counties	8,496	4.50%	2121.138	$18,214,512	1061
Valley Mountain	8,125	4.30%	2028.513	$17,419,128	1014
Westside	5,899	3.12%	1472.763	$12,646,823	736
Total (Avg.):	**188,964**	**100%**	**47,177**	**$ 405,118,530**	**23,589**

Footnotes:

1. Source: DDS Client Caseload, January 2003
2. Assuming proportional distribution of individuals using adult day program across regional centers at a 1:2 (individual to FTE) ratio
3. Actual statewide total expenditures for 2001
4. Total expenditure divided by statewide estimated hourly wage of $8.57 (includes Social Security benefits), divided by 12 months, divided by 167 hours per month

Table 14: Community Care

Regional Center	Statuses 0,1 and 2[1]	% of Total	# Individuals Living In CCFs[2]	Total Annual Costs of Community Care[3]	#FTE[4]
Alta California	12,492	6.61%	1677.354	$29,764,374	1733
Central Valley	12,041	6.37%	1616.796	$28,689,788	1671
East Bay	11,692	6.19%	1569.935	$27,858,234	1622
Eastern LA	6,550	3.47%	879.496	$15,606,520	909
Far Northern	5,113	2.71%	686.544	$12,182,616	709
Golden Gate	6,060	3.21%	813.702	$14,439,009	841
Harbor	8,937	4.73%	1200.009	$21,293,965	1240
Inland	18,454	9.77%	2477.897	$43,969,881	2560
Kern	4,967	2.63%	666.940	$11,834,746	689
Lanterman	6,002	3.18%	805.914	$14,300,814	833
North Bay	5,801	3.07%	778.925	$13,821,897	805
North LA	11,950	6.32%	1604.577	$28,472,964	1658
Orange County	13,063	6.91%	1754.025	$31,124,881	1812
Redwood Coast	2,645	1.40%	355.155	$6,302,175	367
San Andreas	9,130	4.83%	1225.924	$21,753,821	1267
San Diego	14,440	7.64%	1938.920	$34,405,825	2003
San Gab Pomona	8,894	4.71%	1194.235	$21,191,510	1234
South Central	8,213	4.35%	1102.794	$19,568,908	1139
Tri-Counties	8,496	4.50%	1140.794	$20,243,205	1179
Valley Mountain	8,125	4.30%	1090.978	$19,359,233	1127
Westside	5,899	3.12%	792.084	$14,055,399	818
Total (Avg.):	**188,964**	**100%**	**25,373**	**$ 450,239,767**	**26,216**

Footnotes:

1. Source: DDS Client Caseload, January 2003
2. Assuming proportional distribution of 25,373 individuals living in community care residences across regional centers
3. Actual statewide total expenditures for 2001
4. Total expenditure divided by statewide estimated hourly wage of $8.57 (includes Social Security benefits), divided by 12 months, divided by 167 hours per month

Appendix 2
Sample Spreadsheet for Determining Operating Costs of a Workforce Service Center Supporting 3,000 Workers[32]

Table 15
Summary of Annual Budget

	# of FTEs	Benefits	Annual Budget 1	Annual Budget 2
Wages and Benefits	26.8	30%	**$1,361,531**	**$1,361,531**
Office Rental				
		At 1.75/sqft/mo	**$56,944**	
		At 2.25/sqft/mo		**$73,213**
Capital Budget/One Time Costs			**$267,850**	**$267,850**
Overall Cost Year One			**$1,686,324**	**$1,702,594**

32 Fully operational; not start-up.

Table 16
Wages and Positions for WSC Supporting 3,000 Workers

	Classification	# of FTEs	Mean Hourly Rate	Mean Annual Salary	Annual Budget
Salaries & Benefits*					
Executive Director	Sr Mgr	1	$42.05	$87,462	$87,462
Administrative Assistant	Sr Clerical	1	$18.05	$37,543	$37,543
File Clerk	Gen Clerical	1	$10.74	$22,344	$22,344
Network Systems Administrator	Sr Profess	1	$28.65	$59,603	$59,603
Provider Liason/Recruiter	Mid Mgmt	1	$23.54	$48,951	$48,951
Receptionist	Gen Clerical	1	$11.31	$23,528	$23,528
Payroll Clerk(1FTE/1000 employees)	Gen Clerical	3	$15.87	$33,003	$99,009
Benefits Admin Clerk(1FTE/1000 employees)	Gen Clerical	3	$15.87	$33,003	$99,009
Registry Worker I (1FTE/1000 employees)	Gen Clerical	3	$15.87	$33,003	$99,009
Training Staff(1 FTE/520 employees)	Mid Mgmt	5.8	$23.99	$49,894	$289,385
Self-Determination Tech(1FTE/50 SD persons served)	Tech Prof	6	$14.54	$30,248	$181,488
Total FTEs		26.8			$1,047,331
Benefits @ 30%					$314,199
Total Salaries & Benefits					$1,361,531

* Occupational Employment (2000)&Wage(2001)survey. Occupations are classified using the Standard Occupational Classification (SOC) code. See the Overview of he OES Survey at http://www.Ca.gov/file/occup$/oeswages/oestechnotes.htm.

Table 17
Office Space* for WSC Supporting 3,000 Workers
Calculated at 1.75/sq.ft. and 2.25/sq.ft.

Position Type	Typical Office Size (sq.ft.)**	# of Positions	Rate/Sq.Ft.	Monthly Budget Cost	Annual Budget	Rate/Sq.Ft.	Monthly Budget Cost	Annual Budget
Senior Management (Executive Director)	193	1	1.75	$338		2.25	$434	
Middle Management	142	6.8	1.75	$1,690		2.25	$2173	
Senior Professional	114	1	1.75	$200		2.25	$256	
Technical Professional	92	6	1.75	$966		2.25	$1242	
Senior Clerical	84	1	1.75	$147		2.25	$189	
General Clerical	73	11	1.75	$1,405		2.25	$1807	
Total FTEs		26.8						
Monthly budget				$4,745	**$56,944**		$6101	**$73,213**

*International Facility Management Association. 1997. Benchmarks III
**Includes bathroom, training, conference space, utilities, maintenance

Table 18: Office Equipment and Supplies

ITEM	Cost/Unit	# of Units	Budget Cost	NOTES
Office/Cubicle	□	□	□	□
Panel system workstation	6,000	13	$78,000	8x16 2-person
Panel system workstation	3,000	2	$6,000	8x8 1-person
Computer/Monitor	1,500	27	$40,200	□
Desk	900	27	$24,120	double pedestal
Workstation Chair	600	27	$16,080	□
Conference Table	375	3	$1,125	42" diameter
Guest Chair	300	16	$4,800	□
Vertical File Cabinet	250	27	$6,700	4-drawer legal
Phone	225	27	$6,030	□
Computer table	200	27	$5,360	□
Calculator	100	27	$2,680	□
General Office				□
Copier	11,000	1	$11,000	Minolta Di 550
Laser/Network Printer	2,600	1	$2,600	HP 4550N
Copier/Fax	2,950	2	$5,900	Sharp AR 152
Lateral File Cabinet	850	10	$8,500	4-drawer
Facsimile Machine	600	1	$600	□
Refrigerator	600	2	$1,200	18 cu ft
Security system	500	3	$1,500	□
Coffeemaker	400	3	$1,200	□
Printer stand	300	2	$600	□
Handtruck	250	1	$250	□

continued on next page . . .

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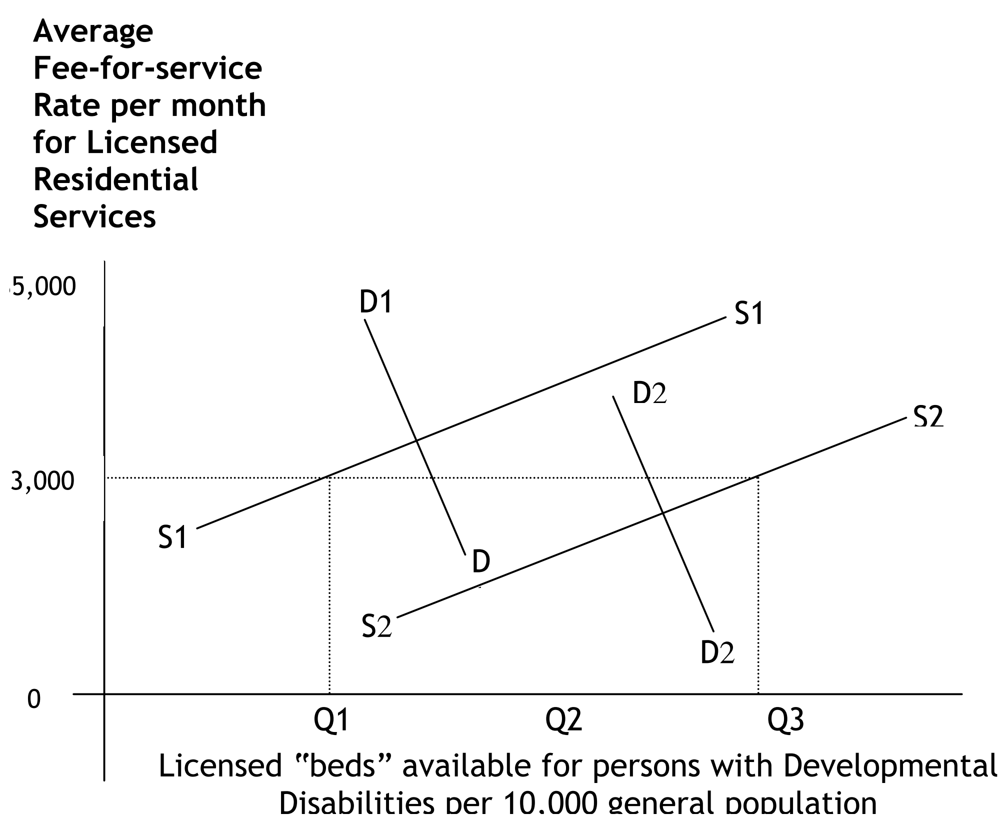
ITEM	Cost/Unit	# of Units	Budget Cost	NOTES
Microwave	250	1	$250	◘
Safe	250	1	$250	◘
Cork board	225	3	$675	4' x 8'
Storage cabinet w/lock	225	3	$675	72"H x 30"W x 18"D fixed shelves
Cell Phone	150	4	$600	◘
Deskjet Printer	150	8	$1,200	HP 970 Ci
Book case	125	7	$875	◘
Lobby seating	125	10	$1,250	◘
Pager	80	6	$480	◘
Training				◘
Multimedia projector	5,500	2	$11,000	◘
Laptop	2,000	4	$8,000	◘
TV/VCR w/stand	1,000	2	$2,000	◘
Overhead projector w/stand	700	1	$700	◘
Conference table	450	7	$3,150	30" x 72"
White board	250	3	$750	◘
Easel	150	2	$300	◘
Wall screen	125	3	$375	◘
Stack chair	75	25	$1,875	◘
Capital Budget Sub-total			**$258,850**	
Other One-time Costs				
Care Tracker Software Licensing Fee	5000	1	$5,000	CareTracker Software
Care Tracker Software Set-up and Training	2500	1	$2,500	
Other Software/licensing			$1,500	
Other One Time Cost Sub-total			**$9,000**	
Total Capital Budget/One Time Costs			**$267,850**	

Appendix 3
Geographic Differences and Service Availability

Figure 1, below, illustrates the point about bed capacity per unit of population. S1-S1 is a supply schedule (reflecting average costs) for a high-cost area such as San Francisco, where bed capacity per 10,000 population was under 10 (in 1988), and it illustrates the willingness and ability of providers to offer community-care licensed services. That willingness and ability is slight, in large measure because there are many attractive alternative uses for labor services and housing. In the economist's lingo, "opportunity costs" are high. S2-S2 is a supply schedule where there are few alternative opportunities, and a far greater willingness and ability of individuals, families, and agencies to provide licensed residential services.

Figure 1.
Supply of and Demand for Licensed Residential Services



With a common rate structure, assumed here as $3,000 per person-month for illustrative purposes only, Q1 might be offered in a high-cost area, with Q3 offered in a low-cost area. The imbalance (too few services in high-cost areas; too many in some low-cost areas) is rectified by individuals in high-cost areas moving to low-cost areas of the State.

As indicated in Table 19, several regional centers that face high labor (and housing) costs have far fewer clients than regional centers in lower cost areas, per unit of population. As a proxy measure of *high* and *low* cost areas, we use average pay in employment covered under California Unemployment Insurance program. The dollar amounts, shown in Column 8, are total payroll divided by average monthly covered employment. The average full-time-equivalent wage of direct support workers is, of course, lower than the average for all covered workers.

Table 19: Comparison of *Actual* and *Predicted* Number of Regional Center Clients, Under Assumption that Prevalence is Common Across the State of California, 1998

Regional Center	General population	*Active* Regional Center Clients	Active RC Clients as % of Gen. Pop.	Active RC Clients *if* State Avg. applied	Actual minus predicted (Col.3 - Col.5)	Actual minus predicted as %	Avg. annual pay, UI covered employ-ment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Alta	1,932,210	8,343	0.4318%	7,617	726	9%	$29,415
Central Valley	1,604,850	8,049	0.5015%	6,326	1,723	21%	21,355
East Bay	2,308,800	8,517	0.3689%	9,101	-584	-7%	37,900
Far Northern	571,800	3,761	0.6577%	2,254	1,507	40%	21,972
Golden Gate	1,750,900	5,267	0.3008%	6,902	-1,635	-31%	45,647
Inland	3,063,100	12,446	0.4063%	12,075	371	3%	25,824
Kern	668,900	3,526	0.5271%	2,637	889	25%	23,990
Los Angeles (7 RCs)	9,603,300	38,079	0.3965	37,856	223	1%	36,067
North Bay	944,000	4,558	0.4828%	3,721	837	18%	28,665
Orange County	2,722,300	8,489	0.3118%	10,731	-2,242	-26%	35,531
Redwood Coast	298,600	1,821	0.6098%	1,177	644	35%	20,801
San Andreas	2,372,900	6,296	0.2653%	9,354	-3,058	-49%	47,005
San Diego	2,936,900	10,441	0.3555%	11,577	-1,136	-11%	30,826
Tri-Counties	1,375,300	6,108	0.4441%	5,421	687	11%	28,749
Valley Mountain	1,097,650	5,393	0.4913%	4,327	1,066	20%	24,762
Total (Avg)	33,251,510	131,094	0.3942%	131,094	0	0%	34,836

Source: DDS *Consumer Fact Book*, 2nd edition (August 1999), p. 11.

(**NOTE**: In the table above, Column 3 includes only consumers with active status (Status Codes 2 and 8) as of 1/7/98. Column 2 data from California Department of Finance, *County Population Projections* for January 1, 1998. Column 8 data from the website of California's Employment Development Department.)

San Andreas Regional Center (Santa Clara, Santa Cruz, Monterey, and San Benito counties) is serving nearly 50% fewer clients than one would expect if the prevalence rate of developmental services were uniform across the State. Golden Gate Regional Center is serving nearly a third (31%) fewer. The apparent out-migration is especially dramatic, given evidence that, among families, there is net migration toward urbanized areas like San Jose, San Francisco, and Santa Barbara, in search of more and better health care and educational services for children with special needs. Regional centers with far more clients than "expected" include Far Northern, Redwood Coast, Kern, Central Valley, Valley Mountain, and San Gabriel/Pomona (not shown separately in Table 1 because it is one of seven regional centers in Los Angeles County). All but the latter are more rural, less densely populated areas of the State, where costs are lower. If shown separately, the percentage in Column 7 for San Gabriel/Pomona would be 23%, because it has historically been host to a large number of congregate care facilities that have attracted residents from other areas of the State. If shown separately, individual percentages (in Column 7) for the other six regional centers in Los Angeles County would be East Los Angles, -10%; Frank D. Lanterman, -29%; Harbor, 9%; North Los Angeles, 4%; South Central Los Angeles, 0%; and Westside, -10%.

The correlation coefficient (*r*) between the numbers in Column 6 and those in Column 8 of Table 1 is very high: -0.86. And the relationship is quite linear. Regressing *A-P* (actual minus predicted number of clients) on *AvgPay* yields the following prediction equation:

$$A\text{-}P = 4484.17 - 0.14666 \, AvgPay$$

Rsquare Adj is .74; the *F* Ratio is 36.9478 (significant well below .01); and the coefficient of *AvgPay* (-0.14666), which is the slope or change in *A-P* along the trend line for a unit change in *AvgPay,* has a standard error of 0.024128, yielding a *t* ratio of –6.08, statistically significant at the .01 level. In terms of projected levels of *A-P,* given *AvgPay,* we can say that for every additional $1,000 in *AvgPay,* a proxy for the underlying cost of doing business, the predicted difference between *Actual* minus *Predicted* number of clients, where *Predicted* means the number if prevalence were uniform across the State, declines by 147 clients.

Tri-Counties Regional Center (TCRC) may appear anomalous, as a "net importer" of regional center clients, because of the high cost of housing and labor services in and around Santa Barbara. But, the three counties (Ventura, Santa Barbara, and San Luis Obispo) that form Tri-Counties' service area, in their Southern, Northern, and Eastern reaches, are significantly lower cost. When doing the CSLA Evaluation, our team of researchers spent considerable time in San Luis Obispo talking with individuals new to supported living who had been living at *Casa DeVita,* a large intermediate care facility in San Luis Obispo. Nearly all had grown up in the San Francisco Bay Area or in the Los Angeles basin.

Availability of services geographically and *regular lives*

High costs in the San Francisco Bay Area, and at other places along the Pacific Coast, inhibit growth and development, greater independence (e.g., living in one's own home) and regular lives. Where costs are high, adults living away from parents typically share a bedroom (with a person they did not choose) in licensed homes for six unrelated individuals. Living in one's own home – with adequate support – is much more conducive to privacy and greater independence, inclusion, productivity, and choice, the kinds of indicators of *quality* in federal and state law. James Conroy (1992) looked at *valued outcomes* such as these in relation to size of residence. He found positive and statistically significant relationships between such outcomes and small size, within group settings of 2, 3, 4, 5, 6, 7, and 8 individuals receiving residential services. In their evaluation of California's Community Supported Living Arrangements (CSLA) project, Allen, Shea & Associates (1995) reported similar findings, based on Quality-of-Life interviews of individuals who had moved into their own places, often from large licensed homes.

The percentage of adults with developmental disabilities receiving either Independent Living or Supported Living Services is a good measure of whether service quality is realized, because such services more clearly than services provided in licensed residential facilities (ICF/DDs, ICF/DD-Hs, ICF/DD-Ns, and CCFs, that is, intermediate care and community-care) support community integration, independence, productivity, choice, and regular lives, key indices of *quality*.

Table 20 shows, by regional center, the number of clients 22+ years of age living in independent or supported living arrangements (IL/SL) per person living in a licensed setting, along with (once again, as a proxy measure of high cost and low cost regions) average annual pay in employment covered under the State's unemployment insurance law. Among adults 22+ years of age and no longer living with their parents, Redwood Coast Regional Center (RCRC) has nearly 2 clients (1.725) living in their own homes for every person in a licensed place. At Far Northern Regional Center (FNRC) the ratio is just over 1 to 1 (1.082). The average across the State is 0.438, or nearly 1 adult in IL/SL for every 2 living in licensed places.

With common Supplemental Security Income (SSI) and Department of Developmental Services' rates across the State, it should come as no surprise to find that *regular lives* are much more common in areas of low cost than high cost. Indeed, the correlation coefficient (r) between *Average Pay* in column 2 and the *IL/SL Ratio* in column 3 of Table 2 is –0.56. Regressing the *Ratio* on *Average Pay* and *Average Pay*^{2} yields the following prediction equation: (NOTE: The relationship is curvilinear; hence, the quadratic form of the equation.)

$$Ratio = 3.1265 - 0.000139 AvgPay + 0.00000000173 AvgPay^2$$

Table 20:
Number of 22+ Year Olds in IL/SL Arrangements Per Person in a Licensed Setting and Average Annual Pay in Covered (UI) Employment, 1998

Regional center	No. in IL/SL per person in a licensed place	Average annual pay in covered (UI) employment*	Regional center	No. in IL/SL per person in a licensed place	Average annual pay in covered (UI) employment*
(1)	(2)	(3)	(1)	(2)	(3)
Redwood Coast	1.725	$20,801	Statewide (avg.)	0.438	34,836
Far Northern	1.082	21,972	North Bay	0.433	28,665
Tri-Counties	0.754	28,749	San Andreas	0.343	47,005
Kern	0.691	23,990	Orange County	0.322	35,531
Alta California	0.635	29,415	East LA	0.319	36,067
Valley Mountain	0.562	24,762	Golden Gate	0.304	45,647
North LA	0.543	36,067	Central Valley	0.298	21,355
Westside	0.529	36,067	Inland	0.293	25,824
Harbor	0.512	36,067	San Gab/Pom	0.261	36,067
East Bay	0.492	37,900	Frank Lanterman	0.211	36,067
San Diego	0.491	30,826	So. Central LA	0.098	36,067

*Average annual pay in Los Angeles County used for each of the seven regional centers serving Los Angeles County.

RSquare Adj is .33; the *F* Ratio is 6.0107 (significant at .01); and the coefficient of *AvgPay* (-0.000139), the slope or change in the *Ratio* along the trend line for a unit change in *AvgPay*, has a standard error of 0.000069, yielding a *t* ratio of -2.03, almost statistically significant at the .05 level. In terms of projected levels of the *Ratio*, given *AvgPay* (around which, the actual variation is obviously quite large), we can say that for every additional $1,000 in *AvgPay*, the predicted number of 22+ year olds living in IL/SL per person in a licensed setting – i.e., the *Ratio* -- declines by nearly .139 (or by 13.9 percentage points).

Appendix 4
Excerpts from an
Overview of CareTracker Software[33]

Refined Technologies, Inc. Overview

Based in San Jose, CA, since April, 1998, the company focuses on custom application software, System Administration, and Application hosting.

Registry Software Background

RTI designed Care Tracker to manage IHSS programs. In addition to Santa Clara, Contra Costa, Sonoma, Santa Cruz, San Diego, Santa Barbara, Napa and Monterey Counties have also purchased Care Tracker. The primary functions of the software (e.g., benefits tracking, registry) make it or similar software a good fit for use by Workforce Service Centers.

Application Features and Functionality

Some of the application features are:

- Tracking of information IHSS workers and individuals with developmental disabilities for purposes of 'matching'
- Tracking satisfaction surveys regarding referrals
- Referral history tracking
- Automated letter creation to individuals when a worker referral is made
- Automated integration of statewide data
- Ability to track new CMIPS IPs on a monthly basis
- Addressed label printing
- Automated creation of required reports (monthly)
- Automated health benefit linking to health care provider
- Tracking of worker training

[33] Excerpted from information provided by Refined Technologies, Inc.,

Web Enabling

The application server that Care Tracker resides is also a Web server. Therefore, any or all of the application can be enabled on the Web.

Security

All data exchanges between the server and client computer are dual-key encrypted. This encryption is the highest level of data security in North America and is used by many military systems.

Physical security

The data center also imposes layered physical security. Only authorized personnel are allow inside the data center. In addition, motion sensors, video camera surveillance and security breach alarms are equipped in each data center.

Data Access Security

The records in the database are actually documents that have usually been entered by a user or administrator. Database access control facilities, therefore, provide the broadest control over who can access and manipulate the data within the application.

Web/Application Hosting Environment

All sites are monitored 24 hours a day, seven days a week. Each IP address will be pinged at five-minute intervals. Battery backup systems are in place in the event of a power outage and diesel generators are housed as a secondary power backup. The hosting environment includes:

- Multiple high-speed OC-3, and OC-12 lines to Internet
- Customer-dedicated power backed-up by UPS
- High-capacity diesel generator
- Customer-dedicated circuit breaker protection
- 24 x 7 notification and monitoring

- Gas-based fire protection system
- Specialized heat/smoke sensors
- Automatic local fire department notification
- Raised floor
- HVAC
- Seismically braced racks
- Advanced Call Distribution system (ACD)
- Motion sensors
- Secured access
- Video camera surveillance
- Security breach alarm
- 24 x 7 automatic police notification
- Tape backups available

Network and Topology Requirements

Care Tracker is distributed to the users through an ASP (Application Service Provider) model. This model alleviates the need for capital equipment and system administration costs and in turn saves time and money. The customer does need to have a client PC for each user and a reliable TCP/IP connection to the Internet.

Appendix 5

Excerpts from California Codes
Labor Code Section 3700-3709.5[34]

3700. Every employer except the state shall secure the payment of compensation in one or more of the following ways:

(c) For any county, city, city and county, municipal corporation, public district, public agency, or any political subdivision of the state, including each member of a pooling arrangement under a joint exercise of powers agreement (but not the state itself), by securing from the Director of Industrial Relations a certificate of consent to self-insure against workers' compensation claims, which certificate may be given upon furnishing proof satisfactory to the director of ability to administer workers' compensation claims properly, and to pay workers' compensation claims that may become due to its employees. On or before March 31, 1979, a political subdivision of the state which, on December 31, 1978, was uninsured for its liability to pay compensation, shall file a properly completed and executed application for a certificate of consent to self-insure against workers' compensation claims. The certificate shall be issued and be subject to the provisions of **Section** 3702.

3700.5. The failure to secure the payment of compensation as required by this article by one who knew, or because of his or her knowledge or experience should be reasonably expected to have known, of the obligation to secure the payment of compensation, is a misdemeanor punishable by imprisonment in the county jail for up to one year, or by a fine of up to ten thousand dollars ($10,000), or by both that imprisonment and fine.

3701. (a) Each year every private self-insuring employer shall secure incurred liabilities for the payment of compensation and the performance of the obligations of employers imposed under this chapter by renewing the prior year's security deposit or by making a new deposit of security. If a new deposit is made, it shall be posted within 60 days of the filing of the self-insured employer's annual report with the director, but in no event later than May 1.

(b) The minimum deposit shall be 125 percent of the private self-insurer's estimated future liability for compensation to secure payment of compensation plus 10 percent of the private self-insurer's estimated future liability for compensation to secure payment of all administrative and legal costs relating to or arising from the employer's self-insuring. In no event shall the security deposit for the incurred liabilities for compensation be less than two hundred twenty thousand dollars ($220,000).

[34] A complete version of the law can be found at http://www.leginfo.ca.gov/cgi-bin/displaycode?section=lab&group=03001-04000&file=3700-3709.5

3701.5. (a) If the director determines that a private self-insured employer has failed to pay workers' compensation as required by this division, the security deposit shall be utilized to administer and pay the employer's compensation obligations.

3701.8. (a) As an alternative to each private self-insuring employer securing its own incurred liabilities as provided in **Section** 3701, the director may provide by regulation for an alternative security system whereby all private self-insureds designated for full participation by the director shall collectively secure their aggregate incurred liabilities through the Self-Insurers' Security Fund.

3702. (a) A certificate of consent to self-insure may be revoked by the director at any time for good cause after a hearing.

3702.1. (a) No person, firm, or corporation, other than an insurer admitted to transact workers' compensation insurance in this state, shall contract to administer claims of self-insured employers as a third-party administrator unless in possession of a certificate of consent to administer self-insured employers workers' compensation claims.

3702.2. a) All self-insured employers shall file a self-insurer's annual report in a form prescribed by the director.

3702.3. Failure to submit reports or information as deemed necessary by the director to implement the purposes of **Section** 3701, 3702, or 3702.2 may result in the assessment of a civil penalty as set forth in subdivision (a) of **Section** 3702.9. Moneys collected shall be used for the administration of self-insurance plans.

3702.6. (a) The director shall establish an audit program addressing the adequacy of estimates of future liability of claims for all private self-insured employers, and shall ensure that all private self-insured employers are audited within a three-year cycle by the Office of Self Insurance Plans.

3702.7. A certificate of consent to administer claims of self-insured employers may be revoked by the director at any time for good cause after a hearing.

3702.8. (a) Employers who have ceased to be self-insured employers shall discharge their continuing obligations to secure the payment of workers' compensation that accrued during the period of self-insurance.

3703. So long as the certificate has not been revoked, and the self-insurer maintains on deposit the requisite bond or securities, the self-insurer shall not be required or obliged to pay into the State Compensation Insurance Fund any sums covering liability for compensation excepting life pensions; and the self-insurer may fully administer any compensation benefits assessed against the self-insurer.

3705. The Self-Insurers' Security Fund or the surety making payment of compensation hereunder shall have the same preference over the other debts of the principal or his or her estate as is given by law to the person directly entitled to the compensation.

3706. If any employer fails to secure the payment of compensation, any injured employee or his dependents may bring an action at law against such employer for damages, as if this division did not apply.

3706.5. The provisions of this article and Sections 4553, 4554, and 4555, and any other penalty provided by law for failure to secure the payment of compensation for employees, shall not apply to individual members of a board or governing body of a public agency or to members of a private, nonprofit organization, if the agency or organization performs officiating services relating to amateur sporting events and such members are excluded from the definition of "employee" pursuant to subdivision (j) of **Section** 3352.

3707. The injured employee or his dependents may in such action attach the property of the employer, at any time upon or after the institution of such action, in an amount fixed by the court, to secure the payment of any judgment which is ultimately obtained. The provisions of the **Code** of Civil Procedure, not inconsistent with this division, shall govern the issuance of, and proceedings upon such attachment.

3708. In such action it is presumed that the injury to the employee was a direct result and grew out of the negligence of the employer, and the burden of proof is upon the employer, to rebut the presumption of negligence. It is not a defense to the employer that the employee was guilty of contributory negligence, or assumed the risk of the hazard complained of, or that the injury was caused by the negligence of a fellow servant. No contract or regulation shall restore to the employer any of the foregoing defenses.

3708.5. If an employee brings such an action for damages, the employee shall forthwith give a copy of the complaint to the Uninsured Employers Fund of the action by personal service or certified mail. Proof of such service shall be filed in such action.

3709. If, as a result of such action for damages, a judgment is obtained against the employer, any compensation awarded, paid, or secured by the employer shall be credited against the judgment. The court shall allow as a first lien against such judgment the amount of compensation paid by the director from the Uninsured Employers Fund pursuant to **Section** 3716.

3709.5. After the payment of attorney's fees fixed by the court, the employer shall be relieved from the obligation to pay further compensation to or on behalf of the employee under this division up to the entire amount of the balance of the judgment, if satisfied, or such portion as has been satisfied.