

# **APPROVED REGULATIONS**

***Adding Subchapter 12, Sections 1896.300 –1896.370 to Title 2, Division 2, Chapter 3 of the California Code of Regulations. (effective January 1, 2001)***

## **TITLE 2. Administration**

### **Division 2. Financial Operations**

#### **CHAPTER 3. Department of General Services**

##### **SUBCHAPTER 12. Personal Services Contracts**

###### **SECTIONS 1896.300 - 1896.370**

###### **1896.300. Definitions**

For purposes of complying with Government Code Section 19134, the following definitions apply:

- (a) A “Qualifying Contract” is any contract meeting the following conditions:
  - (1) A contract executed by a state agency with a provider of personal services, and
  - (2) The contract is in force for 91 days or more, and
  - (3) The contract includes janitorial, housekeeping, custodian, food service, security guard, laundry or window cleaning services.
- (b) “Covered Employee” means a person providing services under a Qualifying Contract who:
  - (1) Works at the site or sites of Qualifying Contract services, and
  - (2) Performs services as defined in 1896.300(a)(3), above.
- (c) “Employee Benefits” means coverage a contractor provides to a Covered Employee, either through a purchased plan or by self-insurance, for:
  - (1) Basic health care, as identified in 10 CCR Section 1300.67, and
  - (2) Dental services, and
  - (3) Vision services.
- (d) “Cash Payment” means a dollar amount a contractor pays to a Covered Employee on a Qualifying Contract in lieu of providing Employee Benefits.

Note: Authority cited: Section 19134(f), Government Code. Reference: Sections 19134(a), (b), (c)(2), (d), and (g), Government Code.

### **1896.310. Contractor Requirements**

In order to comply with Government Code Section 19134, a contractor entering into a Qualifying Contract shall provide one of the following:

- (a) Employee Benefits to Covered Employees costing not less than 85% of the state cost for employee benefits for a State of California employee performing similar work; or
- (b) Cash Payments to Covered Employees of an amount not less than 85% of the state cost for employee benefits for a State of California employee performing similar work; or
- (c) A combination of Employee Benefits and Cash Payments totaling not less than 85% of the state cost for employee benefits for a State of California employee performing similar work.

Note: Authority cited: Sections 19134(f) Government Code. Reference: Sections 19134(a) and (d), Government Code.

### **1896.320. Benefits and Cash Payment Calculations**

By February 1 of each year the Department of Personnel Administration shall publish a Schedule of Employee Benefit Rates on line at the web site [www.dpa.ca.gov/benefits/general/contractors.shtm](http://www.dpa.ca.gov/benefits/general/contractors.shtm). State agencies shall use this Schedule to determine the required Employee Benefits and/or Cash Payments in Qualifying Contracts during the calendar year in which they are published. Each agency may select for any Qualifying Contract either the Detailed Rates or the Blended Rate appearing on the most recent Schedule. The Schedule shall contain Detailed Rates and Blended Rates, as specified in subsections (a) and (b) below:

#### **(a) Detailed Rates**

Detailed monthly rates consist of the State of California costs for employee benefits per employee per month for employees performing the services specified in 1896.300(a)(3), and a calculation of 85 percent of these costs per employee per hour. These costs will be provided for three coverage categories: a single employee with no covered dependents, an employee with one covered dependent, and an employee with two or more covered dependents.

Detailed hourly rates shall be calculated by determining the costs per hour for each of the three coverage categories defined in (a), using the following steps:

- (1) Add together the monthly state costs for health benefits, dental benefits and vision benefits for state employees in each of the categories listed above who perform services listed in 1896.300(a)(3),
- (2) Divide the monthly state costs per employee obtained from (a)(1) above by 173.333.

**(b) Blended Rates**

Blended monthly rates consist of the average of State of California employee benefit costs per employee per hour for all employees performing the services specified in 1896.300(a)(3), and a calculation of 85 percent of this cost per employee per hour.

Blended hourly rates, based on the average cost per hour for all employees in all categories, shall be calculated by the following steps:

- (1) Add together the monthly state costs for health benefits, dental benefits and vision benefits for all state employees who perform services listed in 1896.300(a)(3).
- (2) Divide the monthly costs per employee obtained from (b)(1) above by 173.333.

Note: Authority cited: Section 19134(f), Government Code. Reference: Sections 19134(a), (c)(1), and (c)(2), Government Code.

**1896.330. Reimbursement Amount(s): Allowable Rates**

Based on the blended hourly rates published by the Department of Personnel Administration, the Department of Finance will issue an annual Budget Letter providing state agencies with budget instructions regarding reimbursements to state agencies for the costs of Employee Benefits and/or Cash Payments under Qualifying Contracts.

Note: Authority cited: Section 19134(f), Government Code. Reference: Sections 19134(c)(1) and 19134(f), Government Code.

**1896.340. Qualifying Contract Solicitations**

Solicitations for Qualifying Contracts shall include the following provisions requiring compliance with Government Code 19134:

- (a) Contracting agencies shall instruct potential bidders to include in their bids provisions for Employee Benefits and/or Cash Payments to all Covered Employees.
- (b) Contracting agencies shall provide bidders the state employee benefit cost amounts to be used in preparing the bids (based on the Schedule of Employee Benefits Rates published by the Department of Personnel Administration).
- (c) Rate changes published pursuant to Section 1896.320 occurring subsequent to issuance of a solicitation, but prior to the bid due date, shall be included in an addendum to the solicitation.

Note: Authority cited: Section 19134(f), Government Code. Reference: Sections 19134(a), 19134(c)(1) and 19134(f), Government Code.

### **1896.350. Requirements for Qualifying Contracts**

(a) Qualifying Contracts shall contain:

- (1) A provision allowing for adjusting Employee Benefits and/or Cash Payment amounts in the event of a change to the Schedule of Employee Benefit Rates published by the Department of Personnel Administration during the term of the contract. Any published rate changes that occur during the term of the contract shall be given effect by contract amendment, with an effective date retroactive to the date rate changes were published by the Department of Personnel Administration.
- (2) A provision that the contractor must submit to the contracting agency monthly reports that comply with Section 1896.370(a).
- (3) A provision that the contract is subject to audit for compliance with the provisions of Government Code section 19134.
- (4) A provision stating that that failure to comply with the provisions of Government Code section 19134 constitutes a material breach, which could subject the contract to immediate termination by the state.

b) Before execution of the contract, employers choosing to offer Employee Benefits shall provide evidence of coverage to the contracting agency.

Note: Authority cited: Section 19134(f), Government Code. Reference: Sections 19134(a), 19134(c)(1), 19134(d), 19134(e) and 19134(f), Government Code.

### **1896.360. Bids for Qualifying Contracts**

Bids for Qualifying Contracts shall include, in addition to all other requirements specified in the solicitation:

- (a) The method the bidder has chosen to fulfill the requirements of Government Code Section 19134, either by providing Employee Benefits, or providing Cash Payments, or providing a combination of Employee Benefits and Cash Payments.
- (b) The total cost of Employee Benefits and/or Cash Payments for Covered Employees exclusive of any administrative or other indirect costs. These total costs are based on the hourly rate provided in the contracting agency's solicitation and derived from the Department of Personnel Administration Rate Schedule in effect at the time the bids are due. For purposes of bidding only, the contracting agency may instruct the bidder to assume that the rates in effect at the time bids are due will be effective through the life of the contract, notwithstanding that the rates may change.

Note: Authority cited: Section 19134(f), Government Code. Reference: Sections 19134(a), 19134(c)(1), 19134(d), and 19134(f), Government Code.

### **1896.370. Compliance**

- (a) In order to receive any payment under a Qualifying Contract, contractors shall provide monthly reports to the contracting agency during the term of a Qualifying Contract. These reports shall include:
- (1) The number of Covered Employees who received Employee Benefits and/or Cash Payments in the preceding month
  - (2) The name of each Covered Employee who received Employee Benefits and/or Cash Payments in the preceding month
  - (3) The number of hours each Covered Employee worked on the Qualifying Contract in the preceding month
  - (4) The amount paid to each Covered Employee for Employee Benefits and/or Cash Payments in the preceding month
  - (5) The total monthly cost of Employee Benefits and/or Cash Payments in the preceding month, excluding any administrative or indirect costs
- (b) Qualifying Contracts and documents relating to implementing Government Code 19134 may be audited by the contracting state agency, the Department of General Services, and the Bureau of State Audits.
- (c) Government Code 19134(e) provides that failure to provide Employee Benefits or Cash Payments to employees constitutes a “material breach” for any contract for personal services covered by that section. A breach can result in immediate contract termination by the state.

Note: Authority cited: Section 19134(f), Government Code. Reference: Sections 19134(a), 19134(c)(1), 19134(c)(1), 19134(d), 19134(e), and 19134(f), Government Code.

