

# BUDGET LETTER

	<b>NUMBER:</b> 01-06
<b>SUBJECT:</b> EMPLOYEE BENEFITS IN SPECIFIED PERSONAL SERVICES CONTRACTS (E.G., JANITORIAL SERVICES)	<b>DATE ISSUED:</b> February 26, 2001
<b>REFERENCES:</b> GOVERNMENT CODE SECTION 19134 (NEW), CHAPTERS 127 AND 895, STATUTES OF 2000	<b>SUPERSEDES:</b>

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Government Code Section 19134, as added by Chapter 127, Statutes of 2000 (AB 2866), and amended by Chapter 895, Statutes of 2000 (AB 674), requires that personal services contracts entered into by a State department for persons providing janitorial and housekeeping services, custodians, food service workers, laundry workers, window cleaners, and security guard services include provisions for employee benefits that are valued at least at 85 percent of the State employer cost of benefits provided to State employees for performing similar duties. For the purpose of Section 19134, benefits include health, dental, and vision benefits.

The Budget Act of 2000 contains funding for the increased cost for State departments to provide the benefits specified in Section 19134. The Department of Finance has the authority to allocate this funding to State departments that enter into a "Qualifying Contract" pursuant to Sections 1896.300-1896.370 of Chapter 3, Division 2, Title 2 of the California Code of Regulations. The Department of Finance will determine the amount to be allocated based on Section 1896.360 of Chapter 3, Division 2, Title 2 of the California Code of Regulations. These regulations require a bid for a qualifying contract to include the following information:

- a) The method the bidder has chosen to fulfill the requirements of Section 19134, either by providing benefits, or cash payments, or a combination of benefits and cash payments.
- b) The total cost of benefits and/or cash payments for Covered Employees exclusive of any administrative or 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 bids are due.

In order to be considered for this funding, State departments in need of additional funding should submit an application, in the form of a memo or letter, to the Department of Finance detailing the information used to calculate the cost of the benefits and/or cash payments, along with a copy of the accepted bid and/or contract. This application must clearly identify the number of people employed under the contract, the number of hours funded by the contract, and the method chosen to calculate the benefits.

In addition, this application must include funding and program schedule detail that corresponds with the requested allocation, as displayed in Attachment A. Submit this information to:

Department of Finance  
915 L Street, 8<sup>th</sup> Floor, Room 8040  
Sacramento, CA 95814

Attn: Todd Jerue

Submit any funding requests for 2000-01 and/or 2001-02, to the Department of Finance by **March 13, 2001**, for contracts executed prior to the distribution of this Budget Letter. For contracts executed subsequent to the distribution of this letter, submit applications to the Department of Finance within two weeks of the execution of the contract.

If you have any questions related to the allocation process, please call Todd Jerue, Principal Program Budget Analyst, at (916) 445-8913. All other questions regarding implementation of Government Code Section 19134 should be directed to Laurie Giberson at the Department of General Services at (916) 322-5953.

/s/ Yoshie Fujiwara

Yoshie Fujiwara  
Program Budget Manager

Attachment

**UPCOMING BUDGET LETTERS**

- 2002-03 Budget Preparation Guidelines (Technical)

Attachment A

Department: \_\_\_\_\_  
 Org Code: \_\_\_\_\_

-----2000-01-----

-----2001-02-----

Main Support Item: \_\_\_\_\_ \$ \_\_\_\_\_

\$ \_\_\_\_\_

Program/Categories

\_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Reimbursements \_\_\_\_\_  
 \_\_\_\_\_

\$ \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Independent or Subsidiary Item(s): \_\_\_\_\_ \$ \_\_\_\_\_

\$ \_\_\_\_\_

Unscheduled  
OR  
 Programs/Categories  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_

\$ \_\_\_\_\_  
 \$ \_\_\_\_\_  
 \$ \_\_\_\_\_  
 \$ \_\_\_\_\_

Reimbursements \$ \_\_\_\_\_

\$ \_\_\_\_\_

**TOTAL ADJUSTMENT, ALL FUNDS** \$ \_\_\_\_\_

\$ \_\_\_\_\_