

- (1) HSN CALENDAR
- (2) HSN MEMBER MEETING MINUTES
- (3) WAGE AND HEALTH LEGISLATION

### **(1) HSN CALENDAR**

#### **DAAS COMMISSION PRESENTATION ON CONTRACT REFORM**

Wednesday, December 7, 9:30am

City Hall, Room 416

HSN representatives and Naomi Little, Director of the Office of Contract Administration, will give a presentation to the Aging and Adult Services Commission about the City Nonprofit Contracting Task Force, and implementation of the recommendations to streamline the City's nonprofit contracting and monitoring processes.

#### **BRIEFING ON THE UPCOMING CITY BUDGET CYCLE**

Thursday, December 8, 1pm

City Hall, Room 201

Continuing a practice it began two years ago, the Mayor's Office of Public Policy and Finance will conduct regular briefings to update community stakeholders during the City budget process. The first briefing of this cycle will take place Thursday, and will focus on the process and the projected 2006-07 deficit. They will review key dates, targets, and projected year-end numbers. Noelle Simmons, the Mayor's Budget Director will respond to questions and concerns. This meeting is an opportunity for HSN's members to raise issues such as COLAs and costs of doing business in nonprofit contracts, and the need to strengthen safety-net services.

#### **HSN GENERAL MEMBER MEETING**

Friday, December 16, 9:30-11:30am

LightHouse for the Blind and Visually Impaired, 214 Van Ness

We invite HSN's members, as well as nonprofits that are interested in joining HSN, to our final member meeting of 2006. Our special guest will be Board of Supervisors President Aaron Peskin.

#### **HSN PUBLIC POLICY COMMITTEE**

Wednesday, January 4, 10am

Progress Foundation, 368 Fell Street

This meeting is open to all current paid members of HSN.

### **(2) HSN MEMBER MEETING MINUTES**

The minutes from the meetings of October 21 and November 18 are attached.

The October meeting featured a panel discussion on contract reform with OCA, the Controller's Office, HSA and DPH; a presentation by HSN members on Laguna Honda Hospital and long-term care issues; and updates on the elections and wage and health legislation.

The November meeting included a presentation by Mayor's Budget Director Noelle Simmons,

and discussions on the role of nonprofits, contract reform, and the San Francisco Revenue Coalition.

### **(3) WAGE AND HEALTH LEGISLATION**

There are a lot of changes on the horizon to wage and health legislation that impacts nonprofit service providers. Some of these laws affect all San Francisco employers, while others impact those that contract with the City and County. Below is a summary of changes and/or proposed changes to several ordinances. (This is not a detailed summary of these ordinances. You can find more info on the City website at [http://www.sfgov.org/site/olse\\_index.asp?id=27458](http://www.sfgov.org/site/olse_index.asp?id=27458).)

(A) MINIMUM WAGE ORDINANCE

(B) MINIMUM COMPENSATION ORDINANCE

(C) HEALTH CARE ACCOUNTABILITY ORDINANCE

(D) WORKER HEALTH CARE SECURITY ORDINANCE

#### (A) MINIMUM WAGE ORDINANCE (MWO)

San Francisco increased its minimum wage by voter initiative in November 2002. The MWO applies to all San Francisco employers, and sets the required minimum wage for employees who work two or more hours per week. It applies to all employees, including youth and trainees. In its first year, the requirement did not apply to nonprofits or small businesses. In 2005, the nonprofit minimum wage rose to \$7.75 per hour. Beginning January 1, 2006, all nonprofits and small businesses will rise to the same level as larger for-profit businesses. This will include an annual automatic increase based on the regional consumer price index.

Effective January 1, 2006, the minimum wage for all nonprofit employees will be \$8.82. The City has posted more information on its website at [http://www.sfgov.org/site/olse\\_index.asp?id=27605](http://www.sfgov.org/site/olse_index.asp?id=27605).

#### (B) MINIMUM COMPENSATION ORDINANCE (MCO)

The MCO, often referred to as "Living Wage", requires City contractors to provide a set level of minimum compensation to employees that work on City contracts. In 2005, the wage rate is set at \$9 per hour for nonprofit contractors and \$10.77 per hour for commercial business. It also mandates 12 paid days off per year (or the cash equivalent) and 10 days off without pay per year. Find out more on the City website at [http://www.sfgov.org/site/olse\\_index.asp?id=27459](http://www.sfgov.org/site/olse_index.asp?id=27459).

HSN supported the MCO when it passed in 2000 because the City promised to provide pass-through funds to compensate nonprofit service providers for any cost increases. The City has provided these funds to some service providers, but there is no clear process to apply for funds, and departments have not treated the pass-through in a consistent manner.

Supervisors Ammiano and McGoldrick recently introduced legislation that would make several changes in the MCO. We expect the Board to hold hearings in January. We are engaged in meetings about these amendments, including a recent conversation with the Mayor's Office about

the pass-through process. Changes would apply to new contracts. For current contracts, they would take effect with contract amendments.

Included in the proposed changes are the following:

\* The MCO rate would increase to \$10.77 per hour for all City contractors.

During the budget process this year, the Board set aside about \$1 million for pass-through funds to nonprofits based on an expected increase to \$10.50. HSN was prepared to support this increase. However, we have received no assurance of funds for an increase to \$10.77. We do not believe that nonprofits should be treated the same as commercial businesses, and are concerned that without compensation, the increase will lead to service reductions. Without a pass-through, HSN will oppose this.

\* The MCO rate would increase automatically, beginning in January 2006, based on the consumer price index. It would be "the policy of the City to endeavor to ensure sufficient funding to prevent a reduction in the services to the community provided by" nonprofits.

Again, HSN is opposed to any MCO increase without pass-through funds. We support an earlier proposal from the Mayor's office stating that the Mayor may increase the nonprofit rate in future years if the City has sufficient funds to pay for it.

\* The amendments would increase the number of nonprofits subject to the MCO.

The MCO currently applies to employers with over 20 employees. The amendments will increase the scope to employers with over 5 employees.

The MCO applies to City contracts with nonprofits that are \$50,000 or more (or nonprofits with a cumulative total of \$50,000 or more), or commercial contracts of \$25,000 or more. The amendments will apply the MCO to all City contracts (or cumulative contract amounts) of \$25,000 or greater.

Again, HSN maintains that pass-through funds must be provided to compensate nonprofits.

\* The draft legislation includes other proposed changes for CalWorks recipients, increases the City's power to investigate and enforce the Ordinance, establishes an employer appeals process, and authorized penalties for noncompliance.

### (C) HEALTH CARE ACCOUNTABILITY ORDINANCE (HCAO)

The HCAO, also called the "Living Health Ordinance", requires employers to provide health insurance to employees working on City contracts or pay a fee to the City for use by DPH. More info is posted at [http://www.sfgov.org/site/olse\\_index.asp?id=27461](http://www.sfgov.org/site/olse_index.asp?id=27461).

As with the MCO, the City promised to provide pass-through funds for increased nonprofit costs. When the legislation passed in 2001, HSN supported the concept but raised a number of concerns about specific provisions. In 2004, HSN participated in a series of stakeholder meetings with labor, the Living Wage Coalition, DPH and the Office of Labor Standards Enforcement. The working group recommended a number of amendments that address most of HSN's concerns. The Health Commission passed a resolution supporting these changes. However, the entire process has been delayed for almost two years while the City conducted a full review of

the provisions of MCO and HCAO.

Supervisors Ammiano and McGoldrick have finally introduced the amendments, which will receive Board hearings in January.

Most of HSN's concerns relate to employees who are not eligible for health insurance. For example, the HCAO originally applied to employees that work at least 20 hours a week on a City contract. The threshold then dropped to 15 hours per week in July 2002. However, insurance companies do not provide health coverage for 15-19 hour per week employees. Therefore employers have no option but to pay fees. The working group recommended delaying implementation of the 15-hour threshold for two years while the City worked to develop a third option, a health benefits program that would cover these employees. But the working group (including HSN) has been meeting for over a year, without being able to develop a practical and economically feasible third option. We therefore believe this requirement should be eliminated until such time as the insurance industry begins to offer policies for these individuals. We expected the amendments to address this problem, but the current draft keeps the 15-hour threshold.

The amendments do contain the following provisions supported by HSN:

\* Exempt nonprofit relief workers.

The inclusion of relief workers in the HCAO creates an administrative burden for nonprofits that have to track the hours of their relief workers, pay fees to the City for those pay periods where their hours exceed the eligibility threshold -- and in theory, have those fees reimbursed by pass-through funds. The employees receive nothing, as insurance companies will not cover them. The proposed amendments would exempt nonprofit employees that are not regular employees, and are hired on an hourly or per diem basis to replace regular employees during a temporary absence.

\* Exempt interns.

The HCAO currently exempts students under 18 and trainees in a bona fide training program. The amendments would exempt employees hired for a time-limited period if they are receiving academic credit or completing mandatory hours for professional licensure or certification.

\* Increase the fee to \$2 per hour.

Employers that don't provide covered employees with insurance currently pay a fee of \$1.50 per hour to DPH, up to \$60 per week. The fee needs to be higher than the price of insurance in order to act as an incentive for employers to cover workers. Because insurance costs have risen, the fee will rise to \$2 per hour, up to \$80 per week. In the future, the Health Commission will be allowed to adjust this fee annually based on average California HMO premiums.

\* Adjust the date for commencement of benefits.

The original legislation requires health benefits to begin 30 days after employment. The amendments would conform the law with insurance industry practice, requiring benefits on the first of the month following 30 days of employment.

As with the MCO, the HCAO amendments also provide for new enforcement powers, penalties, and employer appeals. HSN supports this legislation, provided that pass-through funds continue to be available. We would also like the Board to address the issue of the 15 hour per week threshold.

#### (D) WORKER HEALTH CARE SECURITY ORDINANCE

Along with the MCO and HCAO amendments, Supervisor Ammiano has introduced the Worker Health Care Security Ordinance, which would require all San Francisco employers with a threshold number of employees to make health expenditures.

Here are the key points of the legislation:

\* "Covered employers" are San Francisco employers with at least 20 "covered employees" at any one time during the preceding fiscal year. It specifically exempts employers subject to the HCAO.

\* "Covered employees" are those that work at least 80 hours per month for six months during the year. It excludes managerial, supervisory, or confidential employees that make at least \$72,450 a year.

\* "Health care expenditure" means any amount paid to or on behalf of covered employees for health care services. For example, this could include insurance, health savings accounts, or reimbursement of actual costs - but not workers comp or Medicare benefits. Health care services include inpatient and outpatient treatment, lab tests, prescriptions, mental health, dental, vision, substance abuse treatment, etc.

\* The ordinance would set a "prevailing health care expenditure rate" equal to the amount paid by the City through its Health Service System, which is based on an annual ten-county survey. According to the S.F. Chronicle, this amount is currently \$345 per month per full-time employee.

\* The ordinance will require covered employers to make annual health care expenditures at least equal to:

(The health care expenditure rate prorated on an hourly basis)  
times

(The total number of hours worked that year by covered employees)

\* The legislation would create a Health Care Security Fee Task Force to evaluate the desirability and need to impose a fee on employers to further the provision of health care for under- and uninsured workers. Fees could be imposed to pay for enforcement or to create a pool of funds for uninsured workers. The Task Force would also investigate the ability of small employers (under 20 workers) to pay for health care.

In general, HSN supports legislation that would increase the availability of health care to low-income persons. However, we have questions about specific provisions and their impact on

nonprofit service providers. For example, we are concerned with the mandate of expenditures of \$345 per month per FTE; we need feedback from our members on how this compares to your health care expenses per employee.

Another problem is the 20-employee threshold. The HCAO applies to nonprofits with over 50 employees (and businesses with over 20). HSN maintains that this same threshold should apply in the Worker Health Care Security Act. Ironically, the different thresholds create a result where larger nonprofit employers (51+) are subject to the HCAO and can receive City pass-through funds to avoid service cuts. But smaller nonprofits (20-50) will not be eligible for additional City funds, even if they are contractors. It makes sense that the City should strive to avoid unfunded mandates that reduce safety net services, and that both pieces of health care legislation should be consistent in their treatment of nonprofit service providers.

I encourage you to contact me if you have comments on any of these pieces of legislation!