

# **At No Cost**

*How Butte County Can Use State and Federal Dollars to Lift Home Care Workers Out of Poverty and Strengthen its Local Economy*

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**United Domestic Workers of America**  
Affiliated with NUHHCE, AFSCME, AFL-CIO



## **Introduction**

Home care providers are among Butte County’s hardest working citizens. They feed and clothe the elderly, handle vital domestic chores for people with disabilities and administer



medication to those too sick to care for themselves – all in the comfort of the consumer’s own home. The work is often difficult and stressful, requiring a variety of skills ranging from heavy lifting to coping with death.<sup>1</sup> But home care workers are all too willing to make sacrifices for the end result: Butte County’s elderly and disabled residents have peace of mind against the haunting fear that they will be institutionalized.

The benefits of keeping Butte County residents out of long-term care extend to local taxpayers, too. Through the home care system, taxpayers are spared the hefty cost of placing these patients in permanent care facilities, which are significantly more expensive than IHSS services. For example, the estimated monthly cost of an IHSS case is approximately \$300, compared to about \$1,800 for a nursing facility and about \$2,400 for an intermediate care facility.<sup>2</sup>

Since 2000, many counties have increased IHSS provider wages over \$8 an hour. But despite their critical work and the savings to taxpayers it produces, Butte County’s 2,600 IHSS workers earn just \$7.11 an hour, hardly enough to support the basic needs of these workers and their families. In fact, the annual median wage of Butte IHSS providers –\$10,232 – is 64% of the Federal Poverty Level (FPL) for a family of three and would easily qualify these families for public assistance in California.<sup>3</sup>

To make matters worse, unlike workers in other counties, Butte County home care workers do not receive health insurance through their IHSS employment. As a result, many are uninsured and face excruciating circumstances when they or a family member faces a health crisis. Meanwhile, home care workers in many counties throughout California earn significantly more for the



<sup>1</sup>Delp, Linda and Katie Quan, “Homecare Workers Organizing in California: An Analysis of a Successful Strategy,” *Labor Studies Journal*, 6:1 (Spring 2002): 3

<sup>2</sup>California Budget Project. March 30, 2005. “In-Home Supportive Services Program”. Sacramento.

<sup>3</sup>Source: # paid hours of all IHSS workers/ # of workers (current hourly wage) or 3,741,741/2,600 (\$7.11).

exact same work, with many providers earning well over \$8 an hour plus health insurance.

Though Butte County workers have pleaded with county leaders for years to improve this situation – as Boards of Supervisors in many other counties have done – the Butte County supervisors insist they are too cash-strapped to give home care workers the pay raise and health insurance they need and deserve.

This report outlines a solution that will not only improve the lives of local home care workers and their clients, but all Butte County residents. Specifically, this report will show that:

- I. The Butte County Board of Supervisors can provide better wages and health insurance to Butte County’s 2,600 IHSS workers without spending a dime in local tax money.**
- II. Existing state and federal funding – money that up to now the county has failed to tap into – can easily be used to provide home care workers with health insurance and an hourly wage up to \$10.50.**
- III. Increased wages for Butte County home care workers will create a \$8-16.6 million windfall for county businesses and grow the local tax base by approximately \$136,000-\$280,000**

## **I. The Butte County Board of Supervisors can provide better wages and health insurance to IHSS workers without spending a dime.**

Contrary to the county's official line, the Board of Supervisors can provide IHSS workers with a well-deserved pay raise and health insurance without spending an extra dime. ***This is because almost every penny the county spends on the IHSS program is fully refunded by state and federal governments.***

Currently, Butte County home care workers earn just \$7.11 per hour – significantly less than what the state and federal governments are willing to contribute toward IHSS wages.<sup>4</sup> Recognizing the critical need for home health care workers – and the cost savings they provide taxpayers – the California legislature and the U.S. Congress have earmarked funding to improve pay for home care workers in counties like Butte.

### **At No Cost to Butte County**

***Butte County home care workers make just \$7.11 per hour and get no health insurance.***

***But the California legislature and federal government are willing to fund wages up to \$10.50 per hour plus pay for health insurance for local IHSS workers – all at no cost to the county government.***

In fact, the state and federal governments will reimburse Butte County for wages it pays to IHSS workers, up to \$10.50 per hour. In addition, state and federal governments provide 60 cents per hour for health insurance.<sup>5</sup> How Butte County can draw on these funds is explained more fully below.



The county does have a role to play. By law, Butte County must pay 17½ cents on the dollar toward IHSS workers' wages. However, even this small local contribution is reimbursed by the state through its realignment funds.<sup>6</sup> After initial reimbursement, the amount of the county contribution becomes part of the “base” realignment funding and is repaid each month.

So if, for example, the county approved a pay raise for home care workers that brought their hourly wage to \$8.50 or \$10.50, plus the \$.60 per hour for health insurance benefits, these increases would be well within the range of what the state and federal governments will reimburse without county taxpayers spending an extra dime.<sup>7</sup>

<sup>4</sup> The total cost of reimbursement is approximately \$7.82 per hour, when taking into account payroll taxes.

<sup>5</sup> As of July 1, 2005.

<sup>6</sup> Sections 17605 and 17606 of the California Welfare and Institution Code. California AB1682 and AB 1684. Realignment funds are generated through a dedicated 24.33% of Vehicle License Fee monies and ½ cent of the state sales tax.

<sup>7</sup> The total cost of the proposal is an average of approximately \$11.05 per hour when payroll taxes of 95 cents per hour are taken into account (\$8.50.00-\$10.50 range) – and is entirely financed from state and federal funds.

In a county where the per capita income is just \$17,517, one of the lowest in the state, this pay increase would provide a much-needed influx of cash for struggling home care workers and their families.<sup>8</sup> This investment will positively impact not only IHSS workers, but also create a windfall for local businesses and expand the tax base.

## **II. Butte County Is Failing to Tap into Free State and Federal Money**

Even though state and federal funds are readily available to pay higher wages, Butte County Supervisors have failed to draw on this money. Instead, local taxpayers have watched as the state and federal money they already shell out for the IHSS program pours into other counties and other states. *Shouldn't some of that money come back to Butte County?*



If county home care workers were paid \$8.50 per hour and 60 cents for health benefits, it would put an extra \$8 million in workers' pockets. At \$10.50 an hour and 60 cents for health benefits, it would mean an extra \$16.2 million. To make it happen, Butte County must increase the amount of money it pays upfront to home care workers – money that, again, is fully reimbursed by the state and federal governments. For the 2005-2006 fiscal year, the county's upfront costs for a wage increase to a mere \$8.50 per hour would be \$1.4 million. At \$10.50, the county's upfront costs would be \$2.8 million.

Yet since the United Domestic Workers of America (UDW) began representing home care workers in 2002, Butte County has contended that it cannot pay the extra money in upfront costs to cover these wage increases.<sup>9</sup> The following will demonstrate that, in fact, the county does have the funds.

### **The Funds Are Already in the Budget**

Butte County has set aside \$28,150,000 in its 2005-06 budget to pay IHSS workers.<sup>10</sup> According to a June 14th county presentation, the Board based this estimate on an anticipated

<sup>8</sup> Census Bureau, Butte County Quick Facts [2000].

<sup>9</sup> In 2003, the County asserted there were no funds available for wage increases. When we pointed out the County had substantial unspent reserves (see below), the county asserted that these had all been committed, but could provide no documentation to back up this assertion. *In fact, the county had \$16.1 million left over at the end of the year.*

<sup>10</sup> "Expanded Expenditure Budget Report," Butte County 2005-06 Budget, Fund 0020 Welfare Distribution Fund, Items 551051 and 551052. The Butte County Administrative Office confirms that these figures are solely for IHSS IP worker wages and benefits. (Conversation with Sang Kim, 8-23-05)

four million IHSS service hours during the 2005-06 fiscal year.<sup>11</sup> But recent trends suggest this estimate significantly overstates the growth of the IHSS caseload; there was essentially no increase in the number of service hours between fiscal years 2003-04 and 2004-05.

### **More Than Enough**

***Butte County officials have over-budgeted for IHSS wages in FY2006 by \$1.55 million based on inflated IHSS caseload growth projections.***

***There is thus more than enough money in the existing budget to fund the \$1.4 million drawdown that would provide well-deserved pay raises for local home care workers.***

Given this trend, UDW estimates that Butte County's IHSS caseload will be 3,741,741 hours in the new fiscal year.<sup>12</sup> This would result in over budgeting the county share for IHSS wages by approximately \$1.55 million-- more than enough to cover the \$1.4 million needed to draw down state and federal funds to increase home care worker salaries to \$8.50 per hour, and 55% of what is required to draw down federal and state funds for a \$10.50 per hour wage.

Even assuming, for the sake of argument, that the County's projected caseload growth is correct, the county can still afford the pay raises sought by home care workers:

- **General Fund Reserves remain plentiful.** According to FY 2005-2006 projections, the Butte County budget will have \$15.65 million – or 9.6% of General Fund expenditures – set aside for reserves and contingencies, more than ten times the amount that the county needs to draw down state and federal funding. This reserve far exceeds the 3% reserve recommended by state officials.<sup>13</sup>
- **Ample Unrestricted Net Assets are available from other funds.** According to the county, “[u]nrestricted net assets represent 6.7% of the total net assets and may be used to meet the County's ongoing obligations to citizens and creditors.”<sup>14</sup> At the end of FY 2003-04, total combined ending fund balances were \$66.4 million, of which there were \$25.5 million in unrestricted funds.

### **III. Increased Wages for Butte Home Care Workers Mean a Stronger Economy and More Tax Revenue.**

When people make more money, they spend more money. And when workers spend money, they generate still more spending. This is the *economic multiplier effect*, and can be quantified

<sup>11</sup> Butte County, "FY 2005-06 Budget Hearings Tuesday, June 14, 2005, 1:00 PM: Overview by the Chief Administrative Office"

<sup>12</sup> "Butte County IHSS IP Caseload Projections, 2005-06," author, 8/2005. This regression calculation is based on data extending back to September, 2003.

<sup>13</sup> There is no required reserve level for California counties. A parallel yardstick is that California law requires school districts to maintain a recommended reserve of 3%. These figures exclude GF balances, which are reserved.

<sup>14</sup> *Ibid.*, p. 5.

not only for other individuals, but also for businesses and even for tax receipts that flow from this spending.

Economic multipliers can be calculated for many different economic activities. In addition, they depend on the particular population and region involved. UDW asked Warren Jensen of the Center for Economic Development at California State University, Chico to construct multipliers for individuals earning between \$10,000 and \$15,000 per year to reflect the income and number of working hours specifically for the Butte County IHSS workforce.

According to Dr. Jensen, for every \$1 million in new worker income, spending in Butte County will increase by \$1.647 million, businesses will reap an additional \$1.183 million and local governments will experience an increased \$20,000 in tax revenues.<sup>15</sup>

***Thus, if the Board of Supervisors raises home care worker wages to, say, \$8.50 an hour, consumer spending at Butte County businesses will increase by \$8 million. If a \$10.50 wage is approved, companies will reap a \$16.6 million windfall. In addition, county tax revenues will grow by \$136,000 and \$280,000 if home care workers are paid a wage of \$8.50 and 10.50 an hour, respectively.***

### **What Butte County Stands to Gain**

***Granting a pay raise to county IHSS workers will benefit the entire county. If workers wages are raised to, say, \$8.50 an hour with health benefits:***

- ***\$8 million in additional consumer spending, a windfall for local business***
- ***\$136,000 in new local tax revenue***

The positive economic impact of granting pay increases to Butte County home care workers should be weighed against not granting them. Any temporary loss of interest income due to the statutory lag in reimbursement from state realignment funds will be more than recouped by increasing the tax base.<sup>16</sup>

The increase in the tax base resulting from an \$8.50 wage is \$340,000 over 2½

years, dwarfing the \$87,000 in interest the county would have earned over that time period had it not granted a wage increase. Indeed, nowhere else can Butte County Supervisors increase personal income and spending for county businesses while increasing the tax base at the cost of \$87,000 for 2½ years.

<sup>15</sup> These calculation of Butte County's Economic Multipliers were re-done based on 2004 data. They are:  
a. The Income Multiplier. This estimate includes housing and spending on local goods and services generated  
b. The Output Multiplier. This estimates the likely impact of wages on local businesses within Butte County, but does not include housing. (Additional spending would occur in neighboring counties.)  
c. The Local Government Tax Multiplier. This multiplier estimates the increased income to all Butte County governmental entities, not just the County.

<sup>16</sup> Assuming an approximate 2-1/2 year time frame before the funds are returned to the county and based on a 2.5% interest rate, not granting this wage increase would mean the county would have earned about \$87,000 before the funds are returned on the \$1.4 million used to draw down state and federal funds for IHSS wages and benefits at \$8.50 an hour.

## **Conclusion**

Butte County home care workers provide a critical service to the county. Yet too many of them live in poverty. Lifting these workers out of poverty will not cost the County a dime.

State and federal dollars are available to increase these workers' salaries. Doing so will not only benefit workers and their families, but Butte County as a whole.

It's time to give Butte County home care workers the pay raise and health insurance they deserve.