

STAFF'S PROPOSED AMENDMENTS PARAMETERS AND GUIDELINES

Education Code Sections 42140 and 42142

Statutes ~~of~~ 1994, Chapter 650

Statutes ~~of~~ 1995, Chapter 525

Statutes ~~of~~ 1996, Chapter 1158

Employee Benefits Disclosure

04-PGA-25 (CSM-4502)

Effective for Reimbursement Claims Filed Between July 1, 2004 and June 30, 2005

I. SUMMARY OF THE MANDATE

On February 22, 2001 the Commission on State Mandates (Commission) adopted its Statement of Decision finding that Education Code sections 42140 and 42142 require some new activities, as specified below, which constitute new programs or higher levels of service within existing programs upon school districts and/or county offices of education within the meaning of article XIII B, section 6 of the California Constitution and impose costs mandated by the state pursuant to Government Code section 17514.

Accordingly, the Commission approved this test claim for the following specific new activities:

- A. School districts and county offices of education (either individually or as a member of a joint powers agency effective September 30, 1996 (Stats. 1996, ch. 1158), that provide retirement health and welfare benefits for employees, continuing after employees reach 65 years of age, pursuant to a collective bargaining agreement existing prior to January 1, 1995, are required to:
 1. Produce an actuarial report every three years (performed by an actuary who is a member of the American Academy of Actuaries effective January 1, 1996) regarding the estimated accrued but unfunded cost of health and welfare benefits for retired employees. (Ed. Code, § 42140, subd. (a).)
 2. Annually provide cost information to its governing board regarding the estimated accrued but unfunded cost of providing health and welfare benefits for retired employees. (Ed. Code, § 42140, subd. (a).)
 3. Annually present cost information and a copy of the actuarial report to its governing board at a public meeting regarding the funding of health and welfare benefits for retired employees. (Ed. Code, § 42140, subd. (a).)
 4. Publicly disclose, at that public meeting, as a separate agenda item, whether it will reserve a sufficient amount of money in its budget to fund the present value of the

accrued but unfunded health and welfare benefits for retired employees.
(Ed. Code, § 42140, subd. (b).)

5. Annually certify to the county superintendent of schools the actual amount reserved in its budget for health and welfare benefits for retired employees. (Ed. Code, § 42140, subd. (c).)
6. Annually certify to the State Superintendent of Public Instruction the actual amount reserved in its budget for the subject employee benefits and the actual amount reserved in its budget for health and welfare benefits for retired employees.
(Ed. Code, § 42140, subd. (c).)

B. School districts, within 45 days of adopting a collective bargaining agreement, shall forward to the county superintendent of schools any revisions to the school district's current year budget that are necessary to fulfill the terms of that agreement, with any additional costs reflected in interim fiscal reports or multiyear fiscal projections.
(Ed. Code, § 42142.)

[Statutes 2004, Chapter 890, section 6, amended Education Code section 42140 by adding subdivision \(e\) that states that this section is inoperative on January 1, 2005.](#)

II. ELIGIBLE CLAIMANTS

Any "school district" (individually, or beginning on July 1, 1997, as a joint powers agency),¹ as defined in Government Code section 17519, except for community colleges, which incurs increased costs as a result of this mandate, is eligible to claim reimbursement.

III. PERIOD OF REIMBURSEMENT

[The period of reimbursement for this amendment to the parameters and guidelines is July 1, 2004 through June 30, 2005. Effective July 1, 2005, school districts may claim reimbursement for activities required by Education Code section 42142, under the parameters and guidelines for the School District Fiscal Accountability Reporting program \(97-TC-19\).](#)

[Pursuant to Government Code section 17560, reimbursement for state-mandated costs may be claimed as follows:](#)

- [\(a\) A local agency or school district may file an estimated reimbursement claim by January 15 of the fiscal year in which costs are to be incurred, and, by January 15 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision \(b\).](#)
- [\(b\) A local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.](#)
- [\(c\) In the event revised claiming instructions are issued by the Controller pursuant to subdivision \(c\) of section 17558 between October 15 and January 15, a local agency or](#)

¹ Pursuant to Statutes ~~of~~ 1996, chapter 1158.

school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

Reimbursable actual costs for one fiscal year shall be included in each claim. Estimated costs for the subsequent year may be included on the same claim, if applicable. Pursuant to Government Code section 17561 (d)(1), all claims for reimbursement of initial years' costs shall be submitted within 120 days of the issuance of the State Controller's claiming instructions. If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed, except as otherwise allowed by Government Code section 17564.

There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

~~Government Code section 17557, prior to its amendment by Statutes of 1998, chapter 681 (effective September 22, 1998), stated that a test claim must be submitted on or before December 31 following a given fiscal year to establish eligibility for that fiscal year. This test claim was filed on December 26, 1995. The test claim was subsequently amended on July 31, 1998, to include Statutes of 1995, chapter 525, and Statutes of 1996, chapter 1158. Therefore, the reimbursement periods are as follows:~~

- ~~— Statutes of 1994, chapter 650, became operative and effective on January 1, 1995. Therefore, the costs incurred for Statutes of 1994, chapter 650, are eligible for reimbursement on or after January 1, 1995.~~
- ~~— Statutes of 1995, chapter 525, became operative and effective on January 1, 1996. Therefore, the costs incurred for Statutes of 1995, chapter 525, are eligible for reimbursement on or after July 1, 1997.~~
- ~~— Statutes of 1996, chapter 1158, became operative and effective on September 30, 1996. Therefore, costs incurred for Statutes of 1996, chapter 1158, are eligible for reimbursement on or after July 1, 1997.~~

~~Actual costs for one fiscal year shall be included in each claim. Estimated costs for the subsequent year may be included on the same claim, if applicable. Pursuant to Government Code section 17561, subdivision (d)(1), all claims for reimbursement of initial years' costs shall be submitted within 120 days of release of claiming instructions by the State Controller.~~

~~If the total costs for a given fiscal year do not exceed \$200, no reimbursement shall be allowed, except as otherwise provided for by Government Code section 17564.~~

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and

declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents. The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

For each eligible claimant, the following activities are eligible for reimbursement:

A. Retirement Health and Welfare Benefits (The reimbursement period for activities required pursuant to Ed. Code § 42140 is July 1, 2004-December 31, 2004)

The following activities apply only to school districts and county offices of education that were required to provide retirement health and welfare benefits to their employees under contracts in existence prior to January 1, 1995:

Obtaining Triennial Actuarial Report

- Obtain every three years an actuarial report regarding the estimated accrued but unfunded cost of health and welfare benefits for retired employees. The actuarial report shall incorporate annual fiscal information. (Ed. Code, § 42140, subd. (a).)
- The actuarial report shall be performed by an actuary who is a member of the American Academy of Actuaries.² (*Reimbursement period begins July 1, 1997.*) (Ed. Code, § 42140, subd. (a).)
- If the school district or county office of education regularly contracts for an actuarial report for other fiscal matters, a separate actuarial report is not required if the estimate of costs required by Education Code section 42140, subdivision (a), is separately and clearly set forth in that report. (Ed. Code, § 42140, subd. (a).)

Annual Board Report

- Annually provide cost information regarding the estimated accrued but unfunded cost of providing health and welfare benefits for retired employees to the governing board of the school district or the county board of education. The estimate of cost shall be based upon the actuarial report. (Ed. Code, § 42140, subd. (a).)
- Annually present the cost information and a copy of the actuarial report on which the estimated costs are based to the governing board at a public meeting regarding the funding of health and welfare benefits for retired employees. (Ed. Code, § 42140, subd. (b).)
- At that public meeting, the governing board shall disclose, as a separate agenda item, whether or not the board will reserve a sufficient amount of money in its budget to fund the present value of the health and welfare benefits of existing retirees or the future cost of employees who are eligible for benefits in the current fiscal year, or both. (Ed. Code, §

² As added by Statutes ~~of~~ 1995, chapter 525.

42140, subd. (b).)

Annual Certification and Budget Revisions

- The school district governing board shall annually certify to the county superintendent of schools the amount of money, if any, that the board has decided to reserve in its budget for the cost of the health and welfare benefits for retired employees, and shall submit to the county superintendent of schools any budget revisions that may be necessary to account for that budget reserve. (Ed. Code, § 42140, subd. (c).)
- The county board of education shall annually certify to the State Superintendent of Public Instruction the amount of money, if any, that has been reserved in the budget of the county office of education for the cost of health and welfare benefits for retired employees. (Ed. Code, § 42140, subd. (c).)

B. Collective Bargaining Budget Revisions (The reimbursement period for activities required under Ed. Code, § 42142 is limited to July 1, 2004-June 30, 2005).

- Within 45 days of adopting a collective bargaining agreement, the superintendent of the school district shall forward to the county superintendent of schools any revisions to the school district's current year budget that are necessary to fulfill the terms of that agreement. Any additional costs to the school district that may result from the terms of the collective bargaining agreement shall be reflected in interim fiscal reports or multi-year fiscal projections. (Ed. Code, § 42142.)

C. Training (The reimbursement period for this activity is limited as specified above.)

- Train staff on implementing the reimbursable activities listed in section IV, activities A and B, of these parameters and guidelines. (One-time activity for each employee.)

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for each reimbursable activity identified in Section IV, Reimbursable Activities, of this document. Each claimed reimbursable cost must be supported by source documentation as described in Section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for the reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are

withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities. Attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services.

4. Fixed Assets and Equipment

Report the purchase price paid for fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

6. Training

Report the cost of training an employee to perform the reimbursable activities, as specified in Section IV of this document. Report the name and job classification of each employee preparing for, attending, and/or conducting training necessary to implement the reimbursable activities. Provide the title, subject, and purpose (related to the mandate of the training session), dates attended, and location. If the training encompasses subjects broader than the reimbursable activities, only the pro-rata portion can be claimed. Report employee training time for each applicable reimbursable activity according to the rules of cost element A.1, Salaries and Benefits, and A.2, Materials and Supplies. Report the cost of consultants who conduct the training according to the rules of cost element A.3, Contracted Services.

B. Indirect Cost Rates

Indirect costs are costs that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to

be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs include: (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs, and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

County offices of education must use the J-580 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter³ is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

VII. OFFSETTING SAVINGS AND REIMBURSEMENTS

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including but not limited to, services fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558, subdivision (c), the Controller shall issue revised claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the revised adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. Pursuant to Government Code section 17561, subdivision (d)(1), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for reimbursement

³ This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, subdivision (d), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.

Each claim for reimbursement pursuant to this mandate must be timely filed and identify each of the following cost elements to each reimbursable activity identified in Section IV of this document:

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for the reimbursable activities. Direct costs that are eligible for reimbursement are:

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities. Attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services.

4. Fixed Assets and Equipment

Report the purchase price paid for fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes,

delivery costs, and installation costs. If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

6. Training

Report the cost of training an employee to perform the reimbursable activities, as specified in Section IV of this document. Report the name and job classification of each employee preparing for, attending, and/or conducting training necessary to implement the reimbursable activities. Provide the title, subject, and purpose (related to the mandate of the training session), dates attended, and location. If the training encompasses subjects broader than the reimbursable activities, only the pro-rata portion can be claimed. Report employee training time for each applicable reimbursable activity according to the rules of cost element A.1, Salaries and Benefits, and A.2, Materials and Supplies. Report the cost of consultants who conduct the training according to the rules of cost element A.3, Contracted Services.

B. Indirect Cost Rates

Indirect costs are costs that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs include: (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs, and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

School districts must use the J-380 (or subsequent replacement) nonrestrictive indirect cost rate provisionally approved by the California Department of Education.

County offices of education must use the J-580 (or subsequent replacement) nonrestrictive indirect cost rate provisionally approved by the California Department of Education.

VI. SUPPORTING DATA

A. Source Documents

For auditing purposes, all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but are not limited to, worksheets, employee time records or time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training

~~packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements.~~

~~B. Record Keeping~~

~~Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to audit by the State Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended.* See the State Controller's claiming instructions regarding retention of required documentation during the audit period.~~

~~VII. OFFSETTING SAVINGS AND REIMBURSEMENTS~~

~~Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, federal funds and other state funds shall be identified and deducted from this claim.~~

~~VIII. STATE CONTROLLER'S OFFICE REQUIRED CERTIFICATION~~

~~An authorized representative of the claimant shall be required to provide a certification of the claim, as specified in the State Controller's claiming instructions, for those costs mandated by the state contained herein.~~

~~IX. PARAMETERS AND GUIDELINES AMENDMENTS~~

~~Parameters and guidelines may be amended pursuant to Title 2, California Code of Regulations, section 1183.2.~~

~~* This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.~~