

**ITEM 9**  
**FINAL STAFF ANALYSIS**  
**PROPOSED PARAMETERS AND GUIDELINES**

Welfare and Institutions Code Sections 12301.3, 12301.4 and 12302.25

Statutes 1999, Chapter 90  
Statutes 2000, Chapter 445

*In-Home Supportive Services II*  
00-TC-23

County of San Bernardino, Claimant

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**EXECUTIVE SUMMARY**

The test claim statutes, in part, address the form in which in-home supportive services care providers are employed, referred to as the “mode of service,” including requiring that all counties establish an employer of record for IHSS providers, other than the recipient of the services. The test claim statutes also provide that “[e]ach county shall appoint an in-home supportive services advisory committee that shall be comprised of not more than 11 individuals.”

On April 16, 2007, the Commission on State Mandates (Commission) adopted a Statement of Decision finding that the test claim legislation imposes a partially reimbursable state-mandated program upon counties within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. Commission staff issued the Statement of Decision and draft parameters and guidelines on June 6, 2007. The proposed reimbursable activities were limited to those approved in the Statement of Decision. No comments were filed on the draft.

On July 1, 2008, Commission staff issued the draft staff analysis and modified proposed parameters and guidelines. Staff proposed minor changes to the original draft as described below.

Additional background was added to Section I, Summary of the Mandate, language regarding the filing of estimated claims was deleted, and Section VII, Offsetting Revenues and Reimbursements, was revised to clarify the Commission’s finding regarding offsets for this test claim.

On July 14, 2008, claimant and the Department of Finance each submitted comments concurring with the draft staff analysis and modified proposed parameters and guidelines. Therefore, staff made no further changes to the modified proposed parameters and guidelines.

**Staff Recommendation**

Staff recommends that the Commission adopt the proposed parameters and guidelines, as modified by staff, beginning on page 7. Staff also recommends that the Commission authorize staff to make any non-substantive, technical corrections to the parameters and guidelines following the hearing.

## STAFF ANALYSIS

### Claimant

County of San Bernardino

### Chronology

04/16/07	Commission adopts Statement of Decision partially approving test claim
06/06/07	Commission staff issues draft parameters and guidelines with the Statement of Decision, and requests comments from the parties
07/03/07	DSS requests reconsideration of the Statement of Decision
07/13/07	Commission staff issues staff analysis and proposed Statement of Decision on the request for reconsideration
07/26/07	Commission denies the request for reconsideration
07/31/07	Commission staff issues Statement of Decision on the request for reconsideration and clarifies that the parameters and guidelines phase proceeds
06/27/08	Commission staff issues draft staff analysis and modified proposed parameters and guidelines
07/14/08	Claimant submits comments on the draft staff analysis and modified proposed parameters and guidelines
07/16/08	Commission staff issues final staff analysis and modified proposed parameters and guidelines

### Summary of the Mandate

The test claim statutes, in part, address the form in which in-home supportive services care providers are employed, referred to as the “mode of service,” including requiring that all counties establish an employer of record for IHSS providers, other than the recipient of the services. The test claim statutes also provide that “[e]ach county shall appoint an in-home supportive services advisory committee that shall be comprised of not more than 11 individuals.”

On April 16, 2007, the Commission on State Mandates (Commission) adopted a Statement of Decision finding that the test claim legislation imposes a partially reimbursable state-mandated program upon counties within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. The Commission approved this test claim for the following reimbursable activities:

- Each county shall establish an employer for in-home supportive service providers. This activity is limited to the administrative costs of establishing an employer of record through a public authority, nonprofit consortium, contract, county administration of the individual provider mode, county civil service personnel, or mixed modes of service. It does not include mandate reimbursement for any increased wages or benefits that may be negotiated depending on the mode of service adopted, or any activities related to

collective bargaining. (Welf. & Inst. Code, § 12302.25, subd. (a).)<sup>1</sup> (July 12, 1999, until December 31, 2002.)

- Counties with an IHSS caseload of more than 500 shall be required to offer an individual provider employer option upon request of a recipient, and in addition to a county's selected method of establishing an employer for in-home supportive service providers. This activity is limited to the administrative costs of establishing an employer of record in the individual provider mode, upon request. It does not include mandate reimbursement for any increased wages or benefits that may be negotiated, or any activities related to collective bargaining. (Welf. & Inst. Code, § 12302.25, subd. (a).)<sup>2</sup>
- Each county that does not qualify for the exception provided in section 12301.3, subdivision (d), shall appoint an in-home supportive services advisory committee that shall be comprised of not more than 11 individuals, with membership as required by section 12301.3, subdivision (a): "No less than 50 percent of the membership of the advisory committee shall be individuals who are current or past users of personal assistance services paid for through public or private funds or as recipients of services under this article." (Welf. & Inst. Code, §§ 12301.3, subd. (a), 12302.25, subd. (d).)<sup>3</sup>
- Effective September 14, 2000, counties shall appoint membership of the advisory committee in compliance with Welfare and Institutions Code section 12301.3, subdivision (a)(1) and (a)(4):

In counties with fewer than 500 IHSS recipients, at least one member of the advisory committee shall be a current or former provider of in-home supportive services; in counties with 500 or more IHSS recipients, at least two members of the advisory committee shall be a current or former provider of in-home supportive services.

A county board of supervisors shall not appoint more than one county employee as a member of the advisory committee. (Welf. & Inst. Code, § 12301.3, subd. (a).)<sup>4</sup>

- Prior to the appointment of members to a committee required by section 12301.3, subdivision (a), the county board of supervisors shall solicit recommendations for qualified members through a fair and open process that includes the provision of reasonable written notice to, and reasonable response time by, members of the general public and interested persons and organizations. (Welf. & Inst. Code, § 12301.3, subd. (b).)<sup>5</sup>

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<sup>1</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999).

<sup>2</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999).

<sup>3</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>4</sup> As amended by Statutes 2000, chapter 445 (oper. Sept. 14, 2000.)

<sup>5</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

- The county shall solicit recommendations from the advisory committee on the preferred mode or modes of service to be utilized in the county for in-home supportive services. (Welf. & Inst. Code, § 12302.25, subd. (d).)<sup>6</sup>
- The advisory committee shall submit recommendations to the county board of supervisors on the preferred mode or modes of service to be utilized in the county for in-home supportive services. (Welf. & Inst. Code, § 12301.3, subd. (c).)<sup>7</sup>
- Each county shall take into account the advice and recommendations of the in-home supportive services advisory committee, as established pursuant to Section 12301.3, prior to making policy and funding decisions about IHSS on an ongoing basis. (Welf. & Inst. Code, § 12302.25, subd. (e).)<sup>8</sup>
- One advisory committee formed pursuant to sections 12301.3 or 12301.6, shall provide ongoing advice and recommendations regarding in-home supportive services to the county board of supervisors, any administrative body in the county that is related to the delivery and administration of in-home supportive services, and the governing body and administrative agency of the public authority, nonprofit consortium, contractor, and public employees. (Welf. & Inst. Code, § 12301.4.)<sup>9</sup>

The Commission also concluded that all claims for reimbursement for the approved activities must be offset by any funds already received from state or federal sources, including funds allocated for the direct costs of the advisory committee. The Commission further concluded that Government Code section 16262.5, and Welfare and Institutions Code sections 12301.6, 12301.8, 12302.7, 12303.4, 12306.1, 14132.95, 17600 and 17600.110, as pled, along with any other test claim statutes and allegations not specifically approved above, do not impose a program, or a new program or higher level of service, subject to article XIII B, section 6.

### **Discussion**

Commission staff issued the Statement of Decision and draft parameters and guidelines on June 6, 2007.<sup>10</sup> The proposed reimbursable activities were limited to those approved in the Statement of Decision. No comments were filed on the draft.

Commission staff issued the draft staff analysis and modified proposed parameters and guidelines on July 1, 2008. Staff proposed minor changes to the original draft as described below.

#### Summary of the Mandate

Additional background was added to Section I, Summary of the Mandate.

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<sup>6</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>7</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>8</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>9</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>10</sup> Exhibit A.

### Period of Reimbursement

Language regarding estimated claims in this section of the parameters and guidelines was stricken in the proposed parameters and guidelines. On February 16, 2008, Statutes 2008, chapter 6 (ABX3 8) became effective and repealed the authority for eligible claimants to file and be paid for estimated reimbursement claims.

### Offsetting Revenues and Reimbursements

Staff revised Section VII, Offsetting Revenues and Reimbursements, to clarify the Commission's finding regarding offsets for this test claim. The Commission's Statement of Decision states the following regarding offsetting reimbursements:

However, DOF specifically argues that the claimant has been provided with funding for the advisory committee activities and that Government Code section 17556, subdivision (e) applies to deny a mandate finding.<sup>11</sup> In the response to comments filed September 9, 2002, page 5, the claimant asserts that of the \$11,944 already claimed for the advisory committee expenses "[t]he costs for the Advisory Committee alone have exceeded several times the allotment actually paid by the Department of Social Services."

While state funds already provided must be used to offset any mandate reimbursement claimed, the claimant has provided a declaration that their administrative costs of forming and operating the advisory committee are not being fully reimbursed. To further support this claim, the claimant provided a copy of DSS claiming instructions for the January- March 2001 quarter, which allowed for 100 percent of "IHSS Advisory Committee/Direct Costs," retroactive to July 2000, but required claims for reimbursement of county administrative costs "for supporting the IHSS Advisory Committee," be charged separately under the standard claiming instructions for IHSS. Specifically the document states:

Costs incurred by the County Welfare Department (CWD) for supporting the IHSS Advisory Committee are not allowable for reimbursement under these codes. Any CWD costs for providing support activities for the IHSS Advisory Committee should be charged to the appropriate IHSS/PCSP claim codes on the County Expense Claim (CEC.)<sup>12</sup>

This requires a county share of costs as required by Welfare and Institutions Code section 12306.<sup>13</sup> Section 12306 requires that the state and county share non-federal administrative costs of IHSS in a 65 percent state/35 percent county split. Requiring the claimant to maintain this share of costs for a mandated new

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<sup>11</sup> DOF Comments, page 1, filed March 6, 2002. DOF's March 28, 2007 comments also include a chart showing funds appropriated for the "IHSS Advisory Committee" through 2005-06.

<sup>12</sup> County Fiscal Letter (CFL) No. 00/01-48, page 3, issued December 22, 2000, by DSS. (Also, Exh.. 2 to Claimant's Response to Comments.)

<sup>13</sup> Claimant Response to Comments, page 5, filed September 9, 2002.

program or higher level of service would defeat the stated purpose of article XIII B, section 6 to “provide a subvention of funds to reimburse that local government for the costs of the program or increased level of service.”

Various DSS County Fiscal Letters show that funds have been allocated for reimbursing counties for the direct costs of the mandatory advisory committee on an annual basis since July 2000.<sup>14</sup> However, the reimbursement period for this test claim begins on the operative date of Statutes 1999, chapter 90--July 12, 1999. In addition, the state could also fail to allocate such funds in any future budget year.<sup>15</sup>

Section VII of the proposed parameters and guidelines identifies Welfare and Institutions Code section 12301.4, subdivision (b), which provides that each county shall be eligible to receive state reimbursements of administrative costs for one IHSS advisory committee, and the county fiscal letters issued by the Department of Social Services showing the funds that have been allocated to specified counties for the direct costs of the advisory committee from July 2000 through July 2006. Section VII states the following:

Any offsets 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 service fees collected; and federal and state funds, including funds allocated for the direct costs of the IHSS advisory committee pursuant to Welfare and Institutions Code section 12301.4, subdivision (b), county fiscal letters issued by the Department of Social Services allocating state and federal funds for the IHSS advisory committee (DSS CFL Nos. Nos. 00/01-14, 00/01-33, 00/01-48, 01/02-12, 02/03-28, 02/03-73, 03/04-46, 03/04-51, 04/05-16, 04/05-22, 04/05-27, 05/06-10, 06/07-02), and future allocations of state and federal funds for the IHSS advisory committee shall be identified and deducted from this claim.

#### Comments on the Draft Staff Analysis

On July 14, 2008, claimant and the Department of Finance each submitted comments concurring with the draft staff analysis and modified proposed parameters and guidelines.<sup>16, 17</sup> Therefore, staff made no further changes to the modified proposed parameters and guidelines.

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<sup>14</sup> DSS CFL, Nos. 00/01-14, 00/01-33, 00/01-48, 01/02-12, 02/03-28, 02/03-73, 03/04-46, 03/04-51, 04/05-16, 04/05-22, 04/05-27, 05/06-10, 06/07-02.

<sup>15</sup> In *Carmel Valley Fire Protection Dist. v. State* (2001) 25 Cal.4th 287, 299, the Court discussed that, subject only to the Governor’s veto power, the Legislature has the power to determine how funds are expended in each annual budget: “Legislative determinations relating to expenditures in other respects are binding upon the executive: ‘The executive branch, in expending public funds, may not disregard legislatively prescribed directives and limits pertaining to the use of such funds.’”

<sup>16</sup> Exhibit C.

<sup>17</sup> Exhibit D.

**Staff Recommendation**

Staff recommends that the Commission adopt the proposed parameters and guidelines, as modified by staff, beginning on page 9. Staff also recommends that the Commission authorize staff to make any non-substantive, technical corrections to the parameters and guidelines following the hearing.



## PROPOSED PARAMETERS AND GUIDELINES

Welfare and Institutions Code Sections 12301.3, 12301.4 and 12302.25

Statutes 1999, Chapter 90

Statutes 2000, Chapter 445

### *In-Home Supportive Services II*

00-TC-23

County of San Bernardino, Claimant

#### I. SUMMARY OF THE MANDATE

The test claim statutes, in part, address the form in which in-home supportive services care providers are employed, referred to as the “mode of service,” including requiring that all counties establish an employer of record for IHSS providers, other than the recipient of the services. The test claim statutes also provide that “[e]ach county shall appoint an in-home supportive services advisory committee that shall be comprised of not more than 11 individuals.”

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- Counties with an IHSS caseload of more than 500 shall be required to offer an individual provider employer option upon request of a recipient, and in addition to a county’s selected method of establishing an employer for in-home supportive service providers. This activity is limited to the administrative costs of establishing an employer of record in the individual provider mode, upon request. It does not include mandate reimbursement for any increased wages or benefits that may be negotiated, or any activities related to collective bargaining. (Welf. & Inst. Code, § 12302.25, subd. (a).)<sup>2</sup>

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- Each county that does not qualify for the exception provided in section 12301.3, subdivision (d), shall appoint an in-home supportive services advisory committee that shall be comprised of not more than 11 individuals, with membership as required by section 12301.3, subdivision (a): “No less than 50 percent of the membership of the advisory committee shall be individuals who are current or past users of personal assistance services paid for through public or private funds or as recipients of services under this article.” (Welf. & Inst. Code, §§ 12301.3, subd. (a), 12302.25, subd. (d).)<sup>3</sup>
- Effective September 14, 2000, counties shall appoint membership of the advisory committee in compliance with Welfare and Institutions Code section 12301.3, subdivision (a)(1) and (a)(4):
  - In counties with fewer than 500 IHSS recipients, at least one member of the advisory committee shall be a current or former provider of in-home supportive services; in counties with 500 or more IHSS recipients, at least two members of the advisory committee shall be a current or former provider of in-home supportive services.
  - A county board of supervisors shall not appoint more than one county employee as a member of the advisory committee. (Welf. & Inst. Code, § 12301.3, subd. (a).)<sup>4</sup>
- Prior to the appointment of members to a committee required by section 12301.3, subdivision (a), the county board of supervisors shall solicit recommendations for qualified members through a fair and open process that includes the provision of reasonable written notice to, and reasonable response time by, members of the general public and interested persons and organizations. (Welf. & Inst. Code, § 12301.3, subd. (b).)<sup>5</sup>
- The county shall solicit recommendations from the advisory committee on the preferred mode or modes of service to be utilized in the county for in-home supportive services. (Welf. & Inst. Code, § 12302.25, subd. (d).)<sup>6</sup>
- The advisory committee shall submit recommendations to the county board of supervisors on the preferred mode or modes of service to be utilized in the county for in-home supportive services. (Welf. & Inst. Code, § 12301.3, subd. (c).)<sup>7</sup>
- Each county shall take into account the advice and recommendations of the in-home supportive services advisory committee, as established pursuant to Section 12301.3, prior

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<sup>3</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>4</sup> As amended by Statutes 2000, chapter 445 (oper. Sept. 14, 2000.)

<sup>5</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>6</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>7</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

to making policy and funding decisions about IHSS on an ongoing basis. (Welf. & Inst. Code, § 12302.25, subd. (e).)<sup>8</sup>

- One advisory committee formed pursuant to sections 12301.3 or 12301.6, shall provide ongoing advice and recommendations regarding in-home supportive services to the county board of supervisors, any administrative body in the county that is related to the delivery and administration of in-home supportive services, and the governing body and administrative agency of the public authority, nonprofit consortium, contractor, and public employees. (Welf. & Inst. Code, § 12301.4.)<sup>9</sup>

The Commission concludes that all claims for reimbursement for the approved activities must be offset by any funds already received from state or federal sources, including funds allocated for the direct costs of the advisory committee. The Commission further concludes that Government Code section 16262.5, and Welfare and Institutions Code sections 12301.6, 12301.8, 12302.7, 12303.4, 12306.1, 14132.95, 17600 and 17600.110, as pled, along with any other test claim statutes and allegations not specifically approved above, do not impose a program, or a new program or higher level of service, subject to article XIII B, section 6.

## II. ELIGIBLE CLAIMANTS

Any county, and city and county, that incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of those costs.

## III. PERIOD OF REIMBURSEMENT

Government Code section 17557, subdivision (e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The County of San Bernardino filed the test claim on June 29, 2001, establishing eligibility for 1999-2000.

However, the operative date of Statutes 1999, chapter 90 is July 12, 1999; therefore the reimbursement period for this test claim begins no earlier than July 12, 1999. In addition, Welfare and Institutions Code section 12302.25 mandates that the requirements be completed on or before January 1, 2003. Therefore, costs incurred pursuant to Welfare and Institutions Code section 12302.25 are reimbursable from July 12, 1999 through December 31, 2002.

Statutes 2000, chapter 445 has an operative date of September 14, 2000. Therefore, costs incurred pursuant to amendments to Welfare and Institutions Code section 12301.3 by Statutes 2000, chapter 445, are reimbursable no earlier than September 14, 2000.

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

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<sup>8</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999.)

<sup>9</sup> As added by Statutes 1999, chapter 90 (oper. Jul. 12, 1999).

#### **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 reimbursable:

##### **A. One-time Activities**

1. County
  - a) Establishing an employer for in-home supportive service providers. This activity is limited to the administrative costs of establishing an employer of record through a public authority, nonprofit consortium, contract, county administration of the individual provider mode, county civil service personnel, or mixed modes of service. (Reimbursement period is limited to July 12, 1999 through December 31, 2002.)
  - b) Offering an individual provider employer option, for counties with an IHSS caseload of more than 500, upon request of a recipient, and in addition to a county's selected method of establishing an employer for in-home supportive service providers. This activity is limited to the administrative costs of establishing an employer of record in the individual provider mode, upon request. (Reimbursement period begins July 12, 1999.)

##### **B. On-going Activities**

1. Board of Supervisors
  - a) Appointing an in-home supportive services advisory committee comprised of:
    - i. Not more than 11 individuals, with membership as required by section 12301.3, subdivision (a): "No less than 50 percent of the

membership of the advisory committee shall be individuals who are current or past users of personal assistance services paid for through public or private funds or as recipients of services under this article.” (Reimbursement period begins July 12, 1999.)

- ii. In counties with fewer than 500 IHSS recipients, at least one member of the advisory committee shall be a current or former provider of in-home supportive services. (Reimbursement period begins September 14, 2000.)
- iii. In counties with 500 or more IHSS recipients, at least two members of the advisory committee shall be a current or former provider of in-home supportive services. (Reimbursement period begins September 14, 2000.)
- iv. A county board of supervisors shall not appoint more than one county employee as a member of the advisory committee. (Reimbursement period begins September 14, 2000.)
- b) Soliciting recommendations for qualified advisory committee members through a fair and open process that includes the provision of reasonable written notice to, and reasonable response time by, members of the general public and interested persons and organizations. (Reimbursement period begins July 12, 1999.)
- c) Soliciting recommendations from the advisory committee on the preferred mode or modes of service to be utilized in the county for in-home supportive services. (Reimbursement period is limited to July 12, 1999 through December 31, 2002.)
- d) Taking the advice and recommendations of the in-home supportive services advisory committee, as established pursuant to Section 12301.3, prior to making policy and funding decisions about IHSS on an ongoing basis. (Reimbursement period begins July 12, 1999.)

## 2. Advisory Committee

- a) Submitting recommendations to the county board of supervisors on the preferred mode or modes of service to be utilized in the county for in-home supportive services. (Reimbursement period begins July 12, 1999.)
- b) Providing ongoing advice and recommendations regarding in-home supportive services to the county board of supervisors, any administrative body in the county that is related to the delivery and administration of in-home supportive services, and the governing body and administrative agency of the public authority, nonprofit consortium, contractor, and public employees. (Reimbursement period begins July 12, 1999.)

## 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. 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.

#### 4. 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.

### B. Indirect Cost Rates

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include both (1) overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the Office of Management and Budget (OMB) Circular A-87. Claimants have the option of

using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in OMB Circular A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or
2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

## **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 chapter<sup>10</sup> 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.

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<sup>10</sup> This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

## **VII. OFFSETTING REVENUES AND REIMBURSEMENTS**

Any offsets 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 service fees collected; and federal and state funds, including funds allocated for the direct costs of the IHSS advisory committee pursuant to Welfare and Institutions Code section 12301.4, subdivision (b), county fiscal letters issued by the Department of Social Services allocating state and federal funds for the IHSS advisory committee (DSS CFL Nos. Nos. 00/01-14, 00/01-33, 00/01-48, 01/02-12, 02/03-28, 02/03-73, 03/04-46, 03/04-51, 04/05-16, 04/05-22, 04/05-27, 05/06-10, 06/07-02), and future allocations of state and federal funds for the IHSS advisory committee shall be identified and deducted from this claim.

## **VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS**

Pursuant to Government Code section 17558, subdivision (b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

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 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.