

ITEM 1
STAFF REPORT
PROPOSED PLAN FOR IMPLEMENTING THE
RECOMMENDATIONS FROM BUREAU OF STATE AUDITS
REPORT 2009-501

***STATE MANDATES: OPERATIONAL AND STRUCTURAL CHANGES
HAVE YIELDED LIMITED IMPROVEMENTS IN EXPEDITING
PROCESSES AND CONTROLLING COSTS AND LIABILITIES***

On October 15, 2009, the Bureau of State Audits (BSA) released its follow-up audit report on the mandates process.¹ The audit report makes the following recommendations:

- To ensure that it resolves sufficiently its backlog of test claims, incorrect reduction claims, and the boilerplate amendment request, the Commission should do the following:
 1. Work with Finance to seek additional resources to reduce its backlog, including test claims and incorrect reduction claims. In doing so, Commission staff should prioritize its workload and seek efficiencies to the extent possible.
 2. Implement its work plan to address the Controller's boilerplate amendment.
- To promote the legislatively determined, joint, and Commission processes and to provide the necessary information to assess their success, the following actions should occur:
 1. The Commission should add additional information in its semiannual report to inform the Legislature about the status of mandates being developed under joint and Commission processes, including delays that may be occurring. If the Commission believes it needs a statutory change to implement this recommendation, it should seek it.
 2. The Commission and Finance should inform local entities of these processes by making information about the alternatives readily available on their Web sites.

¹ Attachment A.

- The Commission should continue its efforts to work with the legislative subcommittee and other relevant parties to establish a reconsideration process that will allow mandates to undergo revision when appropriate.
- To improve the state mandate process, the Legislature, in conjunction with relevant state agencies and local entities, should ensure the further discussion of reforms.
- To ensure that it can meet its responsibilities, including a heightened focus on audits of state mandates, the Controller should work with Finance to obtain sufficient resources. Additionally, the Controller should increase its efforts to fill vacant positions in its Mandated Cost Audits Bureau.

The State Auditor invites parties to respond to recommendations when the confidential draft report is issued. The Commission responded to the draft report. This response is included on page 61 of the report.² The State Auditor requires the Commission to reply to the final report within 60 days, six months, and one year of the report's issue date regarding what steps the Commission has taken to implement the report's recommendations.

The first report is due on December 15, 2009, and must include a timetable for implementation and the person(s) responsible for implementing the recommendations.

Attached is a description of the tasks Commission staff will complete to implement the BSA recommendations, the person(s) responsible for managing implementation and when the task will be complete.

Public Comment

We have invited staff with the Bureau of State Audits, Department of Finance, and State Controller's Office to discuss the report.

Staff Recommendation

Staff recommends that the Commission approve the proposed plan for implementing the Audit Report's recommendations.

² Attachment A.

**COMMISSION ON STATE MANDATES
IMPLEMENTATION OF BSA REPORT NO. 2009-501**

BSA Recommendations and Summary of Tasks	Responsible Person(s)	Complete Date
<p>Recommendation 1.</p> <p><i>To ensure that it resolves sufficiently its backlog of test claims, incorrect reduction claims, and the boilerplate amendment request, the Commission should do the following:</i></p> <ol style="list-style-type: none"> 1. <i>Work with Finance to seek additional resources to reduce its backlog, including test claims and incorrect reduction claims. In doing so, Commission staff should prioritize its workload and seek efficiencies to the extent possible.</i> 2. <i>Implement its work plan to address the Controller's boilerplate amendment.</i> 	Paula Higashi Nancy Patton Camille Shelton Kerry Ortman Heidi Palchik	
<p>Summary of Tasks</p>		
<p><u>Staffing Needs and Resources</u> Commission staff discuss staffing and resource needs with Department of Finance staff and our Commission members on an ongoing basis each fiscal year.</p>		
<p>Continue discussions with Department of Finance staff regarding Commission staffing needs.</p>		Ongoing
<p>Prepare BCP to address staffing needs when Finance authorizes BCP submittals.</p>		Fiscal Year 2011-2012 & beyond
<p><u>Prioritization and Seeking Efficiencies</u> Commission staff continually look for ways to make the Commission's procedures and the mandates process more efficient.</p>		
<p>Examine and, if necessary, refine Commission procedures to ensure that pending workload is prioritized based on relationship to other pending workload and consolidated to the extent possible so that it is completed as soon as possible.</p>		Ongoing
<p>Continue to increase the use of the Commission's website to distribute caseload documents to reduce costs and efficiently manage document preparation and distribution.</p>		Ongoing

<p align="center">BSA Recommendations and Summary of Tasks (continued)</p>	<p align="center">Responsible Person(s)</p>	<p align="center">Complete Date</p>
<p>Continue to report to the Commission on new practices that are being implemented.</p>		<p align="center">Bi-Monthly Commission Hearings</p>
<p>Review existing Commission statutes and regulations to seek ways to make the mandates process more efficient.</p>		<p>This is a process that we conduct annually</p>
<p><u>Complete SCO Request for Amendment of 49 sets of Parameters and Guidelines to Include Boilerplate Language</u> Commission staff delayed recommendations on these requests until pending litigation was completed. The case was decided in Superior Court, but is being appealed. BSA recommends going forward. Therefore, staff developed workplan to set the 49 requests for the October and December 2009, and January and March 2010 hearings. To date, we issued staff analyses for 24 of the requests. Representatives for school districts have filed comments stating that they will testify at the January hearing to request postponement of the 25 requests regarding parameters and guidelines for school district programs until the litigation pending in appellate court is decided. (See Attachment B.)</p>		
<p>Developed workplan.</p>		<p align="center">07/23/2009</p>
<p>Issued draft staff analysis on requests regarding parameters and guidelines for 3 local agency programs.</p>		<p align="center">09/23/2009</p>
<p>Issued final staff analyses on 3 requests.</p>		<p align="center">10/14/2009</p>
<p>Set hearing on 3 requests.</p>		<p align="center">10/30/2009</p>
<p>Issued draft staff analyses on requests regarding parameters and guidelines for 21 local agency programs.</p>		<p align="center">10/14/2009</p>
<p>Issue final staff analysis on 21 requests.</p>		<p align="center">11/23/2009</p>
<p>Set hearing for 21 requests.</p>		<p align="center">12/07/2009</p>
<p>Issue draft staff analysis on requests regarding parameters and guidelines for 2 local agency and 7 school district programs.</p>		<p align="center">12/04/2009</p>

BSA Recommendations and Summary of Tasks (continued)	Responsible Person(s)	Complete Date
Issue final staff analysis on 9 requests.		01/15/2010
Set hearing for 9 requests.		01/29/2010
Issue draft staff analysis on requests regarding parameters and guidelines for 16 school district and community college district programs.		01/29/2010
Issue final staff analysis on 16 requests.		03/12/2010
Set hearing set on 16 requests.		03/26/2010
<p>Recommendation 2.</p> <p><i>To promote the legislatively determined, joint, and Commission processes and to provide the necessary information to assess their success, the following actions should occur:</i></p> <ul style="list-style-type: none"> • <i>The Commission should add additional information in its semiannual report to inform the Legislature about the status of mandates being developed under joint and Commission processes, including delays that may be occurring. If the Commission believes it needs a statutory change to implement this recommendation, it should seek it.</i> • <i>The Commission and Finance should inform local entities of these processes by making information about the alternatives readily available on their Web sites.</i> 	Paula Higashi Nancy Patton Kerry Ortman Heidi Palchik	
Summary of Tasks		
Include information in our next Report to the Legislature regarding status of proposed joint requests to adopt reasonable reimbursement methodologies and pending Legislatively Determined Mandates.		11/01/2009
Meet with local entities and Finance staff to determine what information will assist local entities in using the alternative processes.		10/29/2009
Develop information on alternative processes for our website.		11/16/2009

BSA Recommendations and Summary of Tasks (continued)	Responsible Person(s)	Complete Date
Recommendation 3. <i>The Commission should continue its efforts to work with the legislative subcommittee and other relevant parties to establish a reconsideration process that will allow mandates to undergo revision when appropriate.</i>	Paula Higashi Nancy Patton	
Summary of Tasks		
Conduct Commission Legislative Subcommittee workshop.		10/30/2009
Develop and submit draft language and legislative proposal to Governor's Office.		11/15/2009
If proposal approved, seek author and introduction of bill.		To be set
Introduction of bill.		To be set
Recommendation 4. <i>To improve the state mandate process, the Legislature, in conjunction with relevant state agencies and local entities, should ensure the further discussion of reforms.</i>	Paula Higashi Nancy Patton	
Summary of Tasks		
Work with Legislature, as requested, to discuss mandate reforms.		Ongoing