

PUBLIC HEARING
COMMISSION ON STATE MANDATES



TIME: 9:30 a.m.
DATE: Friday, January 29, 2010
PLACE: State Capitol
Room 447
Sacramento, California



REPORTER'S TRANSCRIPT OF PROCEEDINGS



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A P P E A R A N C E S

COMMISSIONERS PRESENT

CYNTHIA BRYANT
(Commission Chair)
Representative for ANA MATOSANTOS
Director, State Department of Finance

CATHLEEN COX
Acting Director
Director, Office of Planning & Research

RICHARD CHIVARO
Representative for JOHN CHIANG
State Controller

PAUL GLAAB
City Council Member
City of Laguna Niguel

FRANCISCO LUJANO
Representative for BILL LOCKYER
State Treasurer

SARAH OLSEN
Public Member

J. STEVEN WORTHLEY
Supervisor and Chairman of the Board
County of Tulare



COMMISSION STAFF PRESENT

PAULA HIGASHI
Executive Director
(Item 23)

HEATHER HALSEY
Commission Counsel
(Item 6)

A P P E A R A N C E S

COMMISSION STAFF PRESENT

Continued

KENNY LOUIE
Senior Commission Counsel
(Items 4 and 5)

NANCY PATTON
Assistant Executive Director
(Items 15 and 21)

CAMILLE SHELTON
Chief Legal Counsel
(Items, 10, 11, and 22)



PUBLIC TESTIMONY

**Appearing Re Item 4 (Redistricting Senate and
Congressional Districts):**

For County of Los Angeles:

LEONARD KAYE
County of Los Angeles
Department of Auditor-Controller
500 West Temple Street, Suite 603
Los Angeles, California 90012

For Department of Finance:

JEFF CAROSONE
Principal Program Budget Analyst
Department of Finance
915 L Street
Sacramento, California 95814

A P P E A R A N C E S

PUBLIC TESTIMONY

Appearing Re Item 4 (Redistricting Senate and Congressional Districts): *continued*

For Department of Finance:

SUSAN GEANACOU
Senior Staff Attorney
Department of Finance
915 L Street
Sacramento, California 95814

LORENA ROMERO
Department of Finance
915 L Street
Sacramento, California 95814

Appearing Re Item 6 (California Environmental Quality Act):

For Claimant Clovis Unified School District:

ART PALKOWITZ
Manager, Office of Resource Development
San Diego City Schools Finance Division
4100 Normal Street, Room 3209
San Diego, California 92103-2682

For Department of Finance:

DONNA FEREBEE
Staff Counsel III
Department of Finance
915 L Street
Sacramento, California 95814

A P P E A R A N C E S

PUBLIC TESTIMONY

Appearing Re Item 10 (Mandate Reimbursement Process II):

For Claimant City of Newport Beach:

GLEN EVERROAD
Revenue Manager
City of Newport Beach
3300 Newport Boulevard
Newport Beach, California 92658-8915

JULIANA F. GMUR
Manager, Financial Services
MAXIMUS
3130 Kilgore Road, Suite 400
Rancho Cordova, California 95670

For Department of Finance:

JEFF CAROSONE
Principal Program Budget Analyst
Department of Finance

SUSAN GEANACOU
Senior Staff Attorney
Department of Finance

LORENA ROMERO
Department of Finance

**Appearing Re Item 15 (Collective Bargaining and
Collective Bargaining Agreement Disclosure and
Intradistrict Attendance):**

For Department of Finance:

SUSAN GEANACOU
Senior Staff Attorney
Department of Finance

A P P E A R A N C E S

PUBLIC TESTIMONY

Appearing Re Item 15 (Collective Bargaining and
Collective Bargaining Agreement Disclosure and
Intradistrict Attendance): *continued*

For State Controller's Office:

JIM SPANO
Chief, Mandated Cost Audits Bureau
Division of Audits
State Controller's Office
300 Capitol Mall, Suite 518
Sacramento, California 95814



I N D E X

<u>Proceedings</u>	<u>Page</u>
I. Roll Call	16
II. Election of Officers	
Item 1 Staff Report	17
III. Approval of Minutes	
Item 2 October 30, 2009	18
IV. Proposed Consent Calendar	
<i>(Items 12, 13, 14, 16, 17 and 19)</i>	19
V. Appeal of Executive Director Decisions Pursuant to California Code of Regulations Title 2, Section 1181(c)	
Item 3 Appeal of Executive Director's Decision <i>(None)</i>	--
VI. Hearings and Decisions on Test Claim and Statement of Decision, Pursuant to California Code of Regulations, Title 2, Chapter 2.5, Article 7	
A. Test Claims	
Item 4 <i>Redistricting: Senate and Congressional Districts 02-TC-50 County of Los Angeles</i>	20
Item 5 Proposed Statement of Decision: <i>Redistricting: Senate and Congressional Districts (See Item 4 above)</i>	32

I N D E X

Proceedings

Page

VI.	Hearings and Decisions on Test Claim and Statement of Decision, Pursuant to California Code of Regulations, Title 2, Chapter 2.5, Article 7	
A.	Test Claims <i>continued</i>	
Item 6	<i>California Environmental Quality Act (CEQA)</i> 03-TC-17 Clovis Unified School District Los Angeles County	33
Item 7	Proposed Statement of Decision: <i>California Environmental Quality Act (CEQA)</i> (See Item 6 above) . . .	<i>postponed</i>
Item 8	<i>Clean School Restrooms</i> 04-TC-01 Los Angeles Unified School District	<i>postponed</i>
Item 9	Proposed Statement of Decision: <i>Clean School Restrooms</i> (See Item 8 above) . . .	<i>postponed</i>
Item 10	<i>Mandate Reimbursement Process II</i> 05-TC-05 City of Newport	55
Item 11	Proposed Statement of Decision: <i>Mandate Reimbursement Process II</i> (See Item 10 above)	60

I N D E X

<u>Proceedings</u>	<u>Page</u>
VI. Hearings and Decisions on Test Claim and Statement of Decision, Pursuant to California Code of Regulations, Title 2, Chapter 2.5, Article 7	
B. Dismissal of Proposed Amendment to Parameters and Guidelines	
Item 12* <i>Crime Statistics Reports</i> (K-14), 02-TC-12 Santa Monica Community College District (Consent calendar item)	19
VII. Informational Hearing Pursuant to California Code of Regulations, Title 2, Chapter 2.5, Article 8	
A. Proposed Parameters and Guidelines	
Item 13* <i>Cal Grants</i> 02-TC-28 Long Beach Community College District (Consent calendar item)	19
Item 14* <i>Prevailing Wage Rates</i> 01-TC-28 Grossmont Union High School District (Consent calendar item)	19
B. Proposed Statewide Cost Estimates	
Item 15 School District Programs	
A. <i>Collective Bargaining and Collective Bargaining Agreement Disclosure</i> 05-PGA-48	61

I N D E X

Proceedings

Page

VII. Informational Hearing Pursuant to California Code of Regulations, Title 2, Chapter 2.5, Article 8

B. Proposed Statewide Cost Estimates

Item 15 School District Programs *continued*

B. *Intradistrict Attendance*

05-PGA-53 65

Item 16* School District Programs:

A. *Habitual Truant*

05-PGA-51

B. *Juvenile Court Notices II*

05-PGA-54

C. *Health Fee Eliminations*

05-PGA-69

(*Consent calendar item*) 19

Item 17* Local Agency Programs

A. *Search Warrant: AIDS*

05-PGA-17

B. *Airport Land Use
Commissions/Plans*

05-PGA-23

C. *Allocation of Property
Tax Revenues*

05-PGA-24

(*Item 17 is consent calendar item*) 19

I N D E X

Proceedings

Page

VII. Informational Hearing Pursuant to California Code of Regulations, Title 2, Chapter 2.5, Article 8

B. Proposed Statewide Cost Estimates *continued*

Item 17* Local Agency Programs

D. *Brendan Maguire Act*
05-PGA-25

E. *Countrywide Tax Rates*
05-PGA-27

F. *Crime Victim's Rights*
05-PGA-28

G. *Domestic Violence Treatment Services - Authorization and Case Management*
05-PGA-30

H. *Cancer Presumption - Firefighters*
05-PGA-31

I. *Health Benefits for Survivors of Peace Officers and Firefighters*
05-PGA-32

J. *Medi-Cal Beneficiary Probate*
05-PGA-33

K. *Mentally Disordered Offenders: Extended Commitment Proceedings*
05-PGA-34

(Item 17 is consent calendar item) . . . 19

I N D E X

Proceedings

Page

VII. Informational Hearing Pursuant to California Code of Regulations, Title 2, Chapter 2.5, Article 8

B. Proposed Statewide Cost Estimates

Item 17* Local Agency Programs *continued*

L. *Not Guilty by Reason of Insanity*
05-PGA-35

M. *Pacific Beach Safety: Water Quality and Closures*
05-PGA-36

N. *Cancer Presumptions - Peace Officers*
05-PGA-37

O. *Perinatal Services*
05-PGA-38

P. *Pesticide Use Reports*
05-PGA-39

Q. *Prisoner Parental Rights*
05-PGA-40

R. *Rape Victims Counseling Center Notice*
05-PGA-41

S. *Threats Against Peace Officers*
05-PGA-44

T. *Photographic Record of Evidence*
05-PGA-59

(Item 17 is consent calendar item) . . . 19

I N D E X

Proceedings

Page

VII. Informational Hearing Pursuant to California Code of Regulations, Title 2, Chapter 2.5, Article 8

B. Proposed Statewide Cost Estimates

Item 17* Local Agency Programs *continued*

U. Stolen Vehicle Notification
05-PGA-68

em 17 is consent calendar item) . . . 19

C. Withdrawal of Request to Amend Parameters and Guidelines

Item 18 Interdistrict Transfer
Requests: Parent's Employment
01-PGA-10 *postponed*

D. Adoption of Proposed Rulemaking Calendar

Item 19* Proposed Rulemaking Calendar
2010

(*Consent calendar item*) 19

VIII. Hearings on County Applications for Findings Of Significant Financial Distress Pursuant to Welfare and Institutions Code Section 17000.6 And California Code of Regulations, Title 2, Article 6.5

Item 20 Assignment of County Application to Commission, a Hearing Panel of One or More Members of the Commissions or to a Hearing Officer (*None*) --

I N D E X

<u>Proceedings</u>	<u>Page</u>
IX. Staff Reports	
Item 21 Legislative Update	68
Item 22 Chief Legal Counsel: Recent Decisions, Litigation Calendar .	71
Item 23 Executive Director: Workload, Budget, Next Meeting, and 2010 Meeting Calendar	72
X. Public Comment (<i>None</i>)	75
XI. Closed Executive Session	75
XII. Report from Closed Executive Session	76
Adjournment	76
Reporter's Certificate	77

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Commission on State Mandates – January 29, 2010

1 BE IT REMEMBERED that on Friday, January 29,
2 2010, commencing at the hour of 9:36 a.m., thereof, at
3 the State Capitol, Room 447, Sacramento, California,
4 before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR,
5 the following proceedings were held:

6 --oOo--

7 CHAIR BRYANT: The meeting of the Commission
8 on State Mandates will come to order.

9 Paula, can you call the roll and take up
10 Item 1?

11 MS. HIGASHI: Certainly.

12 Mr. Chivaro?

13 MEMBER CHIVARO: Present.

14 MS. HIGASHI: Ms. Cox?

15 MEMBER COX: I'm here.

16 MS. HIGASHI: Mr. Glaab?

17 MEMBER GLAAB: Present.

18 MS. HIGASHI: Mr. Lujano?

19 MEMBER LUJANO: Present.

20 MS. HIGASHI: Ms. Olsen?

21 MEMBER OLSEN: Here.

22 MS. HIGASHI: Mr. Worthley?

23 MEMBER WORTHLEY: Here.

24 MS. HIGASHI: And Ms. Bryant?

25 MEMBER BRYANT: Here.

Commission on State Mandates – January 29, 2010

1 MS. HIGASHI: Since this is the first meeting
2 of the year, the first order of business is the annual
3 election of officers.

4 Are there any nominations for chairperson, or
5 is there a motion for election of a new chairperson?

6 MEMBER OLSEN: I'd like to nominate Cynthia
7 Bryant for chair.

8 MEMBER GLAAB: Second.

9 MS. HIGASHI: Let me just clarify.

10 So you're nominating the Director of the
11 Department of Finance --

12 MEMBER OLSEN: Oh, yes. Yes, thank you.

13 MS. HIGASHI: -- Ana Matosantos?

14 MEMBER OLSEN: Yes, right.

15 MS. HIGASHI: And we have the second?

16 MEMBER GLAAB: *(Indicating affirmatively.)*

17 MS. HIGASHI: Mr. Glaab.

18 All those in favor of electing Ana Matosantos,
19 Director of the Department of Finance, as chairperson of
20 the Commission, please signify by saying "aye."

21 *(A chorus of "ayes" was heard.)*

22 MS. HIGASHI: Any opposed?

23 *(No response)*

24 MS. HIGASHI: Congratulations, Ms. Bryant.

25 CHAIR BRYANT: I accept this honor on behalf of

Commission on State Mandates – January 29, 2010

1 Ana Matosantos.

2 Are there other nominations for
3 vice-chairperson, or is there a motion?

4 MEMBER WORTHLEY: Madam Chairman, I would move
5 that the Treasurer, the State Treasurer, as the
6 vice-chair.

7 CHAIR BRYANT: Is there a second?

8 MEMBER GLAAB: I'll second.

9 CHAIR BRYANT: All those in favor?

10 *(A chorus of "ayes" was heard.)*

11 CHAIR BRYANT: Congratulations to Treasurer
12 Lockyer. You've been elected vice-chairman.

13 MEMBER LUJANO: And speaking for the Treasurer,
14 in the tradition of the Commission, as we alternate back
15 and forth from the Controller's office, thank you.

16 CHAIR BRYANT: All right, Item 2, are there any
17 objections or corrections to the October 30th minutes?

18 MEMBER CHIVARO: I'll move approval.

19 CHAIR BRYANT: We have a motion.

20 Do we have a second?

21 MEMBER OLSEN: Yes.

22 MEMBER GLAAB: Second.

23 CHAIR BRYANT: A second for adoption of
24 the minutes.

25 All those in favor?

Commission on State Mandates – January 29, 2010

1 *(A chorus of "ayes" was heard.)*

2 CHAIR BRYANT: All those opposed?

3 *(No response)*

4 CHAIR BRYANT: Any abstentions?

5 I'm abstaining.

6 Okay, the next item is the Consent Calendar.

7 Paula?

8 MS. HIGASHI: This brings us to the Consent
9 Calendar, which is on green paper. You should all have
10 it before you.

11 I'll read through this list.

12 It's Item 12; Item 13; Item 14; Item 16,
13 Parts A, B, and C; and Item 17, Parts A through U;
14 Item 19.

15 CHAIR BRYANT: Are there any objections to the
16 proposed Consent Calendar?

17 *(No response)*

18 CHAIR BRYANT: Is there a motion to adopt it?

19 MEMBER OLSEN: So moved.

20 MEMBER CHIVARO: Second.

21 CHAIR BRYANT: It's been moved by Sarah Olsen
22 and seconded by -- well, you. I'm sorry, I'm just --

23 MEMBER CHIVARO: Chivaro.

24 CHAIR BRYANT: -- Mr. Chivaro.

25 All those in favor, signify by saying "aye."

Commission on State Mandates – January 29, 2010

1 *(A chorus of "ayes" was heard.)*

2 CHAIR BRYANT: Those opposed?

3 *(No response)*

4 CHAIR BRYANT: Motion carries.

5 MS. HIGASHI: There are no matters to consider
6 under Item 3.

7 And this brings us to the hearing portion of
8 our meeting.

9 Will all of the parties and witnesses for
10 Items 4, 5, 6, 7, 10, and 11 please rise.

11 *(The parties and witnesses stood up.)*

12 MS. HIGASHI: Do you solemnly swear or affirm
13 that the testimony which you are about to give is true
14 and correct, based upon your personal knowledge,
15 information, or belief?

16 *(The parties and witnesses responded*
17 *affirmatively.)*

18 MS. HIGASHI: Thank you very much.

19 This brings us to our first test claim, which
20 is Item 4.

21 Commission Counsel Kenny Louie will present
22 this. It's the *Redistricting Senate and Congressional*
23 *Districts* test claim.

24 MR. LOUIE: Thank you, Paula.

25 Under Article XXI of the California

Commission on State Mandates – January 29, 2010

1 Constitution, the Legislature is required to adjust the
2 boundary lines of the Senate, Assembly, Board of
3 Equalization, and congressional districts in the year
4 after the national decennial census is taken. The
5 test-claim statute pled by the claimant is the
6 Legislature's adjustment to the boundary lines of the
7 Senate and congressional districts for the 2001
8 redistricting plan as required by Article XXI.

9 Section 4 of the test-claim statute requires
10 county election officials to rely on maps prepared by the
11 Legislature to determine the Senate and congressional
12 boundary lines if a census tract or census block is not
13 listed, listed more than once, or is only partially
14 accounted for, or an ambiguity or a dispute arises.

15 However, staff finds that there is no evidence
16 in the record of costs mandated by the State. In
17 addition, staff finds that the remainder of the
18 test-claim statute does not impose any state-mandated
19 activities on the claimant.

20 Staff recommends that the Commission adopt
21 the staff analysis and deny the test claim.

22 Will the parties and witnesses state their
23 names for the record, please?

24 MR. KAYE: Leonard Kaye, County of Los Angeles.

25 MR. CAROSONE: Jeff Carosone, Department of

Commission on State Mandates – January 29, 2010

1 Finance.

2 MS. GEANACOU: Susan Geanacou, Department of
3 Finance.

4 MS. ROMERO: Lorena Romero, Department of
5 Finance.

6 CHAIR BRYANT: Mr. Kaye?

7 MR. KAYE: Thank you, and good morning.

8 Where last we left off was sort of an
9 eleventh-hour reprieve on the midnight of our test-claim
10 hearing, and the Commission asked that we do further
11 analysis regarding the proposition.

12 So let me start, briefly.

13 And my remarks today are quite limited; but
14 please understand that, I don't know, the administrative
15 record in this matter spans over, what, seven or eight
16 years and is, I'm sure, well in excess of perhaps a
17 thousand pages.

18 Camille is holding it up there.

19 So I've tried to boil it down to just the
20 salient points for your consideration this morning.
21 But, as you know, in June of 1980, California voters
22 approved Proposition 6, adding Article XXI to the
23 California Constitution. This article sets forth minimum
24 standards for redistricting and, in particular, and in
25 pertinent part, these standards require, under

1 subsection B, "A population of all districts of a
2 particular type shall be reasonably equal." And I ask
3 that you remember the phrase "*reasonably equal*."

4 Prior to the 2001 redistricting, an entire
5 census tract standard was required to achieve the
6 "*reasonably equal population*" standard in Proposition 6,
7 Not the split census tract or census block standard
8 necessary to achieve the more precise strict population
9 standard -- so that's a new phrase, new concept, higher
10 standard, *strict population standard* -- embodied in the
11 test-claim statute.

12 As noted in our previous pleadings, the new
13 split census tract standard was not required or necessary
14 prior to the test-claim legislation to implement the
15 "*reasonably equal population*" standard in Article XXI of
16 the California Constitution added by Prop. 6 in 1980.
17 The population standard in Article XXI was met, and it
18 also exceeded the prior "*reasonably equal population*"
19 standard in Article XXI under the test-claim legislation
20 and thereby imposed a higher standard of exactitude of
21 population equality among like districts, as well as a
22 new program which Commission staff and we agree is of
23 benefit to the electorate.

24 There is case law which supports this. In
25 *Wilson v. Eu*, 1 Cal.4th 707 on page 76, they state the

1 strict population equality standard was not required and
2 necessary to implement Prop. 6, and it requires plans
3 with near-zero population deviations which are based on
4 census blocks instead of tracts.

5 This strict population equality standard is not
6 required and necessary to implement Prop. 6, and requires
7 formulating districts on a block basis, which is
8 enormously expensive, as the cost of computer software
9 and experts to deal efficiently with this greater amount
10 of data is exponentially higher than a comparable system
11 in which the bulk of the redistricting work is done by
12 census tract.

13 The new mandated duties are imposed by the
14 County under Chapter 348, Statutes of 2001, due to the
15 order of the California Legislature mandating Los Angeles
16 County to redistrict state Senate and U.S. congressional
17 districts using a new split-census tract standard.

18 There is also various other case law which
19 supports this.

20 As noted by Justice Blackburn, and quoted on
21 page 10 of the Rose Institute of State and Local
22 Government Report, entitled "Proposition 6 and
23 Redistricting: A Legal Perspective," this report by the
24 Rose Institute was attached as an exhibit to the County's
25 June 18th, 2009, filing.

Commission on State Mandates – January 29, 2010

1 They state that -- Judge Blackburn states that
2 population equality appears to be the preeminent, if not
3 the sole criteria on which to adjudge constitutionality.

4 I'd like to go on to briefly mention that the
5 Attorney General has also weighed in on this. In his
6 opinion, 80-1109, issued on July 21st, 1981, which it was
7 attached to the County's August 19th, 2009, filing, he
8 states on page 12 of that exhibit, that "The term
9 '*reasonably equal*' in the context of state legislative
10 districting refers to substantial equality of population
11 of districts, of particular type, in light of legitimate
12 considerations incident to the effectuation of a rational
13 state policy, consideration of other relevant factors and
14 interest important to and acceptable representation and
15 apportionment arrangement; and this should not result in
16 the deviation from ideal numerical equality except in
17 unusual circumstances by more than 1 percent, and in no
18 event, by more than 2 percent."

19 The Attorney General goes on to note on page 18
20 of our exhibit: "We have, nevertheless, expressed the
21 view that none of the California Constitution criteria
22 are inherently inconsistent with either the state or
23 federal parity standards we reiterate, particularly with
24 respect to legislative districting that mathematical
25 exactness in terms of population is not required."

Commission on State Mandates – January 29, 2010

1 So it's not required under prior law, it's not
2 required under the voter proposition, and it is new to
3 the test-claim legislation imposing a new program.

4 We'd like to also add, finally, that we agree
5 with Commission staff finding that section 4 of the
6 test-claim statute, that's AB 632, Statutes of 2001,
7 Chapter 634(a), requires county election officials to
8 rely on detailed maps prepared by committees of the
9 Legislature pursuant to Election Code Section 21000.001
10 to determine the boundary line in the event that a census
11 tract or census block is not listed, listed more than
12 once, or is only partially accounted for, and it results
13 in -- a dispute arises regarding the location of a
14 boundary line.

15 But we disagree with staff -- and this is our
16 final point for you to consider this morning. We do
17 disagree with staff on their assertion that as a general
18 rule, counties need not follow these detailed maps on
19 sections 1 and 2.

20 We simply ask, why mandate the exception and
21 not the rule?

22 Thank you.

23 CHAIR BRYANT: Department of Finance, do you
24 have anything?

25 MR. ROMERO: Lorena Romero, for the Department

1 of Finance.

2 The Department of Finance concurs with the
3 Commission staff draft analysis to deny the test claim.

4 CHAIR BRYANT: Are there any questions or
5 comments from the members?

6 *(No response)*

7 CHAIR BRYANT: Is there a motion?

8 MEMBER WORTHLEY: Ms. Chairman, it seems that,
9 in reading the staff analysis, there was quite a lot of
10 weight put on the fact that there was no finding of those
11 incidents where you had a block that was partially there,
12 or something of that nature, and they had a series of
13 things that they talked about, and in going back and
14 finding that there was actually nothing hit that.

15 But your point, I guess, is that
16 notwithstanding that, there is a tremendous amount of
17 work involved in pursuing this new standard, regardless
18 of that particular issue.

19 Is that the point?

20 MR. KAYE: Commissioner Worthley, that is
21 exactly the point. But we go beyond that and say that --
22 if I may give you some other examples, where you have a
23 higher standard. It's not so much the cause or the
24 process or the methodology that was different or required
25 greater expense, it's the result.

Commission on State Mandates – January 29, 2010

1 We achieved a higher standard of population
2 equality as a result of the test-claim statute than
3 previously before. It's this higher standard and just
4 the incremental cost in meeting this higher standard that
5 that we're asking for.

6 And so I think that when you're dealing with
7 this, there are other -- many other examples of where
8 this thing comes to mind. Firefighter clothing and
9 equipment. You know, a pair of pants is a pair of pants.
10 But a fire-retardant pair of pants is SB-90 reimbursable
11 but only for the increased cost in meeting the higher
12 standard. So I think there's many, many examples of
13 where a higher standard is a valid SB-90 test claim.

14 Thank you.

15 MEMBER WORTHLEY: Thank you.

16 CHAIR BRYANT: Ms. Olsen?

17 MEMBER OLSEN: Well, I'd just like to hear
18 staff's response.

19 MR. LOUIE: I think it's necessary to kind of
20 reframe what we're talking about here. Staff and the
21 Commission itself is limited by what has been pled.
22 And what has been pled is Statutes 2001, Chapter 348.

23 And Statutes 2001, Chapter 348, the first few
24 sections which lists the block description and tract
25 description of the Senate districts does not mandate any

1 activities. While there might be duties outside of
2 statutes 2001, chapter 348, the statutes that require
3 those duties have not been pled. So we cannot make
4 findings on those duties. They're outside of the statute,
5 and we can only make findings on the statute that has
6 been pled.

7 So it's been said in the analysis that we
8 haven't made any findings that claimants are not required
9 to do these activities, it's just that this statute does
10 not require these activities.

11 MEMBER OLSEN: So are you saying that the
12 claimants could come back with a new filing pleading
13 those? Or...

14 MR. LOUIE: At this point, I believe most of
15 those activities would be outside of the statute of
16 limitations to plead.

17 MR. KAYE: Okay, could I comment on that?

18 In July of 2003, the Commission issued us a
19 completeness letter. Now, in order to issue a
20 completeness letter, we had to demonstrate the specific
21 code sections that mandated -- purportedly mandated these
22 new activities or higher level of service.

23 And so in receiving that letter, that it was
24 complete, that we did plead all the statutory provisions
25 that were required to at least get a prima facie case

1 before you, we detrimentally relied on that letter. And
2 it wasn't until subsequent that we found out that, well,
3 maybe you didn't submit a complete claim.

4 CHAIR BRYANT: Ms. Shelton?

5 MS. SHELTON: The completeness review is not a
6 legal review. It's simply an administrative process to
7 determine if they've complied with the requirements of
8 filing a test claim.

9 At no point during the completeness review does
10 staff even look at what has been pled and get into the
11 substance or the merits of the claim. That's done on a
12 legal review when the draft staff analysis is issued.

13 CHAIR BRYANT: Any -- Mr. Louie?

14 MR. LOUIE: I'd also like to note that the
15 statement in regards to the fact that Statutes 2001 and
16 Chapter 348, and only Statutes 2001, 348, did not mandate
17 an activity, has been in our draft analysis beginning in
18 '07. So it's been put on notice that this statute does
19 not require those activities.

20 MR. KAYE: Right, four years later.

21 MR. LOUIE: Yes, yes. But even with that,
22 there was a chance to amend after the draft staff
23 analysis, so...

24 CHAIR BRYANT: Mr. Worthley?

25 MEMBER WORTHLEY: I was just going to say,

Commission on State Mandates – January 29, 2010

1 justice delayed is justice denied. I mean, that's just
2 part of the problems we deal with here frequently, is
3 that our claims are so late when they come to us, that
4 we have a lot of statute-of-limitations problems for the
5 applicants which are, I think, unfortunate, but it's a
6 reality.

7 CHAIR BRYANT: Okay, is there a motion on this?
8 Any other questions or comments?

9 MEMBER LUJANO: Move approval.

10 CHAIR BRYANT: Is there a second?

11 MEMBER CHIVARO: Second.

12 CHAIR BRYANT: It's been moved and seconded.

13 Paula, can you call the roll?

14 MS. HIGASHI: Mr. Chivaro?

15 MEMBER CHIVARO: Aye.

16 MS. HIGASHI: Ms. Cox?

17 MEMBER COX: Aye.

18 MS. HIGASHI: Mr. Glaab?

19 MEMBER GLAAB: No.

20 MS. HIGASHI: Mr. Lujano?

21 MEMBER LUJANO: Aye.

22 MS. HIGASHI: Ms. Olsen?

23 MEMBER OLSEN: Aye.

24 MS. HIGASHI: Mr. Worthley?

25 MEMBER WORTHLEY: No.

Commission on State Mandates – January 29, 2010

1 MS. HIGASHI: Ms. Bryant?

2 MEMBER BRYANT: Aye.

3 MS. HIGASHI: The motion carries.

4 MR. KAYE: Thank you.

5 MS. HIGASHI: Mr. Louie will present Item 5,
6 Proposed Statement of Decision.

7 MR. LOUIE: The only issue before the
8 Commission is whether the Proposed Statement of Decision
9 accurately reflects the Commission's decision on the
10 *Redistricting Senate and Congressional Districts* test
11 claim.

12 Staff will update the Final Statement of
13 Decision, reflecting the witnesses testifying and vote
14 count.

15 CHAIR BRYANT: Are there any comments from the
16 parties?

17 *(No response)*

18 CHAIR BRYANT: Is there a motion?

19 MEMBER CHIVARO: Move approval.

20 MEMBER LUJANO: Second.

21 CHAIR BRYANT: It's been moved and seconded.

22 Paula, can you call the roll?

23 MS. HIGASHI: Mr. Chivaro?

24 MEMBER CHIVARO: Aye.

25 MS. HIGASHI: Ms. Cox?

Commission on State Mandates – January 29, 2010

1 MEMBER COX: Aye.

2 MS. HIGASHI: Mr. Glaab?

3 MEMBER GLAAB: No.

4 MS. HIGASHI: Mr. Lujano?

5 MEMBER LUJANO: Aye.

6 MS. HIGASHI: Ms. Olsen?

7 MEMBER OLSEN: Aye.

8 MS. HIGASHI: Mr. Worthley?

9 MEMBER WORTHLEY: Aye.

10 MS. HIGASHI: Ms. Bryant?

11 MEMBER BRYANT: Aye.

12 MS. HIGASHI: The motion is carried.

13 MR. KAYE: Thank you.

14 MS. HIGASHI: This brings us to Item 6, the
15 test claim on *California Environmental Quality Act*.

16 This item will be presented by Commission
17 Counsel Heather Halsey.

18 MS. HALSEY: Good morning.

19 This test claim addresses the activities
20 required of school districts and community-college
21 districts pursuant to the California Environmental
22 Quality Act, or CEQA, and related statutes and
23 regulations. The requirement to comply with CEQA is
24 triggered by the district's decision to acquire new
25 school sites or build new school facilities or addition

1 to new existing school facilities.

2 What is primarily at issue in this claim is the
3 following: Staff finds that the decisions to acquire
4 new school sites or build new school facilities or
5 additions to existing schools are discretionary
6 decisions, and that based on the analysis in *Kern*, the
7 downstream requirement to comply with CEQA is not
8 reimbursable.

9 Claimant disagrees that school districts are
10 not legally and practically compelled to build new
11 schools, and asserts that they are, thus, mandated to
12 comply with CEQA.

13 Staff recommends that the Commission adopt the
14 staff analysis to deny the test claim.

15 Will the parties and witnesses please state
16 your names for the record?

17 MR. PALKOWITZ: Good morning. Art Palkowitz on
18 behalf of the claimant.

19 MS. FEREBEE: Donna Ferebee, Department of
20 Finance.

21 CHAIR BRYANT: Mr. Palkowitz?

22 MR. PALKOWITZ: Thank you.

23 The test claim before you today, the *California*
24 *Environmental Quality Act*, often referred to CEQA, is a
25 process for evaluating the environmental effects on a

1 project.

2 If the initial study shows that the project may
3 have a significant effect on the environment, the lead
4 agency must prepare an environmental impact report.
5 This report would include significant environmental
6 impacts, which CEQA would then impose a substantial
7 requirement to adopt feasible alternatives or feasible
8 mitigation measures.

9 It's the Claimant's position that these type of
10 requirements under CEQA are mandated. They are mandated
11 based on numerous code sections in the Ed. Code.

12 First of all, the California Constitution
13 requires that students be housed and educated. Ed. Code
14 15700 clearly states that the education of the students
15 in California is an obligation of the state and,
16 therefore, classrooms are required to be provided for
17 education. Children are required to attend schools.

18 Based on these Ed. Code sections, there is
19 clearly a requirement that in order to have education,
20 in order for students to attend schools, we must build
21 schools.

22 Further, Ed. Code section 17576 requires
23 sufficient restrooms. It is challenging to have
24 restrooms without schools for students. It's also
25 required that they be provided a warm and healthful place

1 for children to learn.

2 Clearly, all of these code sections combined
3 indicate that schools are required for children.

4 The Commission staff has indicated in their
5 staff analysis that there is no mandatory requirement to
6 have schools.

7 It is difficult, if not impossible, to comply
8 with these sections without having a school. Although
9 one could say there is no legal requirement, as I'm not
10 able to find a code section that says that, there is a
11 practical compliance. And the Supreme Court of
12 California has held that practical compliance can
13 constitute a mandate.

14 K-12 schools do not have discretion to turn
15 kids away when they live in their geographical area.
16 They are compelled to accept schools. The only way we
17 can house the students that are in our area, is to build
18 new schools.

19 I would like to reserve some time for any
20 questions you might have.

21 CHAIR BRYANT: Ms. Ferebee?

22 MS. FEREBEE: Thank you.

23 The Department of Finance concurs with the
24 final staff analysis.

25 CHAIR BRYANT: Are there any questions or

1 comments from the Commission members?

2 Mr. Worthley?

3 MEMBER WORTHLEY: Madam Chairman, I recognize
4 and understand the staff analysis. I just think it flies
5 in the face of reality. And I know we are not a court of
6 equity, but I do think that the point has been well made,
7 school buildings are not discretionary in the sense that
8 if we have education, we have school buildings; and that
9 if you have to build a school building, you have to
10 comply today with CEQA. And so in my mind, this is not a
11 traditional type of discretionary act.

12 We had a case earlier where we were talking
13 about going after additional funding; so a school could
14 decide to elect to receive funding or not elect to
15 receive funding. If they did, they did to comply with
16 certain conditions. To me, that was a clearly
17 discretionary act.

18 The building of school buildings is so
19 fundamentally tied in to education that to call it
20 "discretionary," in my mind is beyond reality. It's
21 like -- it's a different kind of reality. It's not the
22 world. The world is, we build school buildings -- and
23 we don't build school buildings because we just want to
24 build them; we build them because we need to build them,
25 to house students so they can be educated.

1 So in this instance, I cannot agree with the
2 staff analysis on the issue of discretion. And if
3 there's not a rule to that end, and perhaps it takes
4 judicial determination, it would seem that where
5 something is so fundamentally tied to the mission and
6 purpose of a governmental entity, such as building a
7 school, much like educating a student, that is not a
8 discretionary act; that is something which is mandated,
9 at least in a practical sense, if not a legal sense; and,
10 therefore, that it would effectively address the issue
11 of discretionary act. And I think we all agree, if this
12 was not a discretionary act, this would qualify as an
13 unfunded mandate.

14 And it's not the end of the world because to
15 the extent that schools receive state funding, as I
16 understand the analysis, they receive funding to pay
17 towards this situation. And so we'd only begin talking
18 about the difference. If there's a cost of CEQA
19 compliance which exceeds that which the state pays, then
20 that would be the unfunded portion of that would need to
21 be made up by the state.

22 So I disagree with the analysis. I understand
23 it. I just think it doesn't apply to this set of facts.

24 CHAIR BRYANT: Ms. Halsey?

25 MS. HALSEY: Just to clarify, I think that

1 claimant is agreeing with counsel that there is no legal
2 compulsion, but that there is -- but still argues there's
3 practical compulsion; is that right?

4 MR. PALKOWITZ: Yes.

5 MS. HALSEY: And that may or may not be so.

6 There wasn't any evidence submitted in the
7 record about whether there was practical compulsion.
8 Practical compulsion requires evidence to be submitted by
9 districts to show that there are practical compulsions.
10 We have nothing in the record on that. And so that would
11 need to be submitted for the Commission to even make such
12 a finding.

13 CHAIR BRYANT: Any other questions, Mr. Glaab?

14 MEMBER GLAAB: Yes. Thank you, Madam Chair and
15 Members.

16 First of all, I want to commend staff for doing
17 such a tremendous job. This represents a lot of work.
18 I know it's very complete. I had an opportunity to read
19 it a few times. So you are to be commended.

20 But I think the testimony that is before us
21 today certainly resonated with me. And I think
22 Mr. Worthley's comments certainly are, in fact, a
23 reflection of the reality. We have to build these
24 schools. We can't have them out in tents, and they can't
25 be sitting out in the fields and other sorts of things.

Commission on State Mandates – January 29, 2010

1 So there is a practical compulsion here.

2 And so as well-written as the information here
3 is by staff, I do disagree with the conclusion that was
4 made here. And I will be voting accordingly.

5 Thank you.

6 MEMBER OLSEN: Madam Chair?

7 CHAIR BRYANT: Ms. Olsen?

8 MEMBER OLSEN: It seems to me that one thing
9 we're missing in the discussion, is this issue of when --
10 the dates: When CEQA was originally put into place and
11 the extent to which the laws that come after it are a
12 substantial modification of CEQA or simply implement CEQA
13 in the contemporaneous environment.

14 And I'd like staff and Mr. Palkowitz to speak
15 to that because I think that's a very telling point here.

16 MS. HALSEY: If I could, just briefly.

17 In the analysis, I do discuss the history of
18 CEQA, and that CEQA was enacted before 1975. And many of
19 the provisions pled and many of the requirements imposed
20 by CEQA would be pre-1975.

21 In the analysis, I don't really get into the
22 discussion of new program/higher level of service, since
23 we found that there were no required activities. So
24 if we found that there were required activities under
25 CEQA, we would then go on -- we would actually need to

1 revisit the analysis to do that new-program/higher-level-
2 of-service for each required activity. And there have
3 obviously been several amendments to CEQA, but there were
4 several preexisting requirements that would predate 1975.

5 MEMBER WORTHLEY: Madam Chairman?

6 CHAIR BRYANT: Yes.

7 MEMBER WORTHLEY: Could that not be addressed
8 in the parameters and guidelines, however?

9 No? This would have to be a fundamental issue
10 in terms of determining what was the -- what predates
11 1975 and what would be the higher level of standard
12 that's required since then?

13 MS. SHELTON: Yes, the mandate issue, the
14 new-program/higher-level-of-service issue and the cost
15 mandated by the state issue all have to be determined at
16 the test claim phase because it's a question of law.

17 CHAIR BRYANT: Any other questions or comments?
18 Mr. Glaab?

19 MEMBER GLAAB: Thank you, Madam Chair and
20 Members.

21 Might it be a thought, Members, that we
22 consider putting this item over, asking the claimant to
23 come back with information on the practical-compulsion
24 issue at some point in time?

25 I just think that the information that was

Commission on State Mandates – January 29, 2010

1 provided us certainly resonated with me. But I certainly
2 understand staff is hesitant in this regard; but maybe
3 we could review that and come back at a later time with
4 some of those practical items. That's just my thinking.

5 Thank you.

6 CHAIR BRYANT: Ms. Higashi, do you have any
7 thoughts on that?

8 MS. HIGASHI: We issued the draft at least
9 eight weeks before the hearing, and it has been out for
10 comment.

11 Actually, if you look at the chronology, it
12 will give you the exact date. It's been out for quite a
13 while.

14 CHAIR BRYANT: It's been out since
15 October 23rd.

16 MS. HIGASHI: The 23rd. And we have not
17 received any documentary evidence in response to that
18 draft. So that finding has not changed since the draft.

19 MEMBER WORTHLEY: Madam Chairman, to me, there
20 was also pleadings that -- and I refer to the statements
21 by counsel -- that there are other statutes that are pled
22 from which the implication is that school buildings must
23 exist because of obligations on schools -- to house
24 students, I believe.

25 Was that not the case?

Commission on State Mandates – January 29, 2010

1 MS. HALSEY: No. No, there's no requirement to
2 establish a school district that I know of. But if there
3 is one established, you need to house the students in the
4 district, it's true. But you can house them in existing
5 schools, you can renovate existing schools, you can do
6 joint projects with parks and rec and other governmental
7 entities to house students. There's some other -- you
8 can have year-round school and other kinds of alternative
9 scheduling, so there's many ways to house schools besides
10 building new buildings.

11 MEMBER WORTHLEY: It sounds like we can
12 conserve our way out of our water problem.

13 MS. HALSEY: Let me just --

14 MEMBER WORTHLEY: The fact of the matter is
15 that, oftentimes, schools have to be replaced because
16 they are old, they don't meet seismic requirements, they
17 don't meet the needs of the District. And again, people
18 don't build buildings just to be building buildings, they
19 build them in relationship to a need. The need is
20 housing. When I need new housing, I need to build a new
21 school. And so I struggle with that type of an analysis
22 because, again, facts are sort of staring us in the face.
23 And I'm wondering about our ability to have judicial
24 notice of those kinds of things as a body.

25 MS. HALSEY: Well, there's one more point I

1 wanted to make -- and this is the hard one, really --
2 and it's that the question before the Commission is not
3 whether schools are needed, but it's really whether
4 school districts are legally compelled by a state statute
5 or regulation or practically compelled and, thus,
6 mandated by the state to comply with CEQA. In other
7 words, to build those new schools and comply with CEQA.
8 And we couldn't find anything in the law, really,
9 requiring that.

10 So we're not asserting that we don't need
11 schools or that it wouldn't be good to build schools or
12 that there isn't a number of publications out there
13 talking about the need for schools; but, rather, that
14 there's nothing in the law requiring it.

15 MEMBER WORTHLEY: I think we agreed upon the
16 fact that there is not a requirement to build schools.
17 The thing is, schools do have to be built. And once they
18 have to be built, now we have to comply with CEQA.
19 That's the mandatory portion of it.

20 And the issue is, if there is a practical
21 compulsion because we have to house students and we have
22 to build buildings to do that, then we get beyond this
23 issue of being a discretionary act.

24 I understand there are all kinds of options
25 available to people. But one -- sometimes you get to the

1 point, you don't have an option.

2 MS. HALSEY: Right. And that's what we're
3 saying, there's been no evidence submitted in the record
4 regarding that, to show the practical compulsion.

5 CHAIR BRYANT: Ms. Shelton?

6 MS. SHELTON: Let me just clarify a couple of
7 things. These are issues obviously that we've been
8 struggling with in the office. It really started with
9 that *Department of Finance v Commission on State Mandates*
10 POBOR case recently that came out, where we were taking
11 along the same line. Just, obviously, there's been tons
12 of evidence of crime on school districts, and certainly
13 the Legislature recognized them and gave them the
14 authority to retain and hire peace officers.

15 And so certainly -- and then based on
16 statements made by the U.S. Supreme Court that, you know,
17 peace officers hired by a school district are necessary,
18 and used those facts to assert that there was a practical
19 compulsion for them to retain their own peace officers
20 and then comply with the downstream requirements.

21 That is what you're doing here, too; except the
22 Court said you can't do that.

23 When you're having an issue of practical
24 compulsion and there's an allegation that we have to
25 build a new school -- which the law says is the school

1 district's decision of when to do that, when and if to do
2 that. If you have that allegation, you need to have
3 evidence in the record that that was something that they
4 were practically compelled to do.

5 And we're not suggesting that they're not
6 required to house the students. Certainly they are. We
7 don't have the evidence.

8 If this case is litigated under Government
9 Code section 17559, the Court is going to look to see if
10 there's substantial evidence in the record. And here,
11 just like the POBOR case, there isn't any. And that's
12 the problem.

13 CHAIR BRYANT: Mr. Palkowitz, do you have
14 any --

15 MR. PALKOWITZ: I guess, first of all, we
16 submitted comments on November 12th. The claimant did.
17 I don't see that in the list. But I just wanted to
18 comment, there has been comments issued since their
19 analysis.

20 MS. HALSEY: It's in there.

21 MS. SHELTON: It's the last one.

22 CHAIR BRYANT: November 12th, claimant
23 submitted comments on the staff draft analysis.

24 MR. PALKOWITZ: I guess I don't see that in the
25 chronology.

Commission on State Mandates – January 29, 2010

1 MS. HALSEY: It should be there. We discussed
2 the comments on page 5.

3 MS. HIGASHI: Page 5.

4 MEMBER OLSEN: It's on page 5. It's the very
5 last one.

6 MS. SHELTON: It's right here. 11/12.

7 MS. HALSEY: Yes, 11/12 on page 5.

8 MR. PALKOWITZ: What page --

9 MS. SHELTON: You might be looking at the draft
10 rather than the final.

11 MR. PALKOWITZ: Oh, okay. Very good.

12 I apologize.

13 Okay, the other point of the practical
14 compulsion and evidence of what that would be, first of
15 all, I think the code sections that I commented are there
16 to show that there would be practical compulsion in order
17 to have restrooms, in order to house students, in order
18 to educate them, in order to provide a healthful, warm
19 place for that.

20 I am very amiable to the suggestion of putting
21 off that matter, and we will provide additional
22 consequences that would show that I believe practical.
23 We would show that schools could be taken over by the
24 state for not providing for the students, that the
25 governing board has obligations to house students that

Commission on State Mandates – January 29, 2010

1 are in their geographical area.

2 So I would like to respond and get you the
3 opportunity to respond and provide additional information
4 that I believe will show that there is practical
5 compulsion.

6 CHAIR BRYANT: Ms. Shelton?

7 MS. SHELTON: We have all the law in the
8 record, and we've considered all the law. So what would
9 be required, would be a showing of factual evidence
10 submitted under penalty of perjury or testimony under
11 penalty of perjury that the District was practically
12 compelled during the period of reimbursement to build a
13 new school building or do substantial remodeling of a
14 building during that time period. That would be
15 required.

16 MR. PALKOWITZ: We would like that opportunity
17 to present that to the Commission.

18 CHAIR BRYANT: Commissioner Lujano, did you
19 have any --

20 MEMBER LUJANO: No. It's a good idea.

21 CHAIR BRYANT: Ms. Ferebee?

22 MS. FEREBEE: Yes. Thank you.

23 I would just like to say that Finance doesn't
24 believe that the standard for practical compulsion has
25 been met, and that we would urge you to adopt the staff

1 recommendation as it's written. And I think it does an
2 excellent job of going through each component and also
3 showing how there are a number of other mechanisms for
4 the schools to use.

5 And I don't believe that if you hold it over,
6 that you would see any additional evidence of practical
7 compulsion.

8 Certainly if it hasn't been submitted yet, I
9 don't think that you would see anything more that would
10 meet that very difficult threshold standard to meet. And
11 so we would urge that you adopt this.

12 CHAIR BRYANT: I think that's what bothers me
13 about all this is because, you know, obviously, this is
14 my first day as chair of the Mandates Commission, but I
15 have been sitting in this seat for the last three years.
16 And, you know, there's a schedule, there's the arguments
17 that the claimants are making. And every time we put
18 one of these off, it just further delays it. And we
19 get into the situation where we're considering a
20 redistricting mandate at the same time we're about ready
21 to do the census for the next redistricting ten years,
22 11 years later. So I'm prepared to support the staff
23 analysis as it's currently drafted.

24 I'm sensing I may not have that much shared
25 view on that on this panel.

Commission on State Mandates – January 29, 2010

1 And I think that when staff goes back and they
2 look, we have to have evidence on the practical mandate
3 issue; and then I think we'd see that CEQA existed prior,
4 and probably isn't a mandate. And we get into that
5 argument, and we'd probably come back with the same
6 result.

7 I don't know how you feel about that,
8 Ms. Halsey, where you think we land.

9 MS. SHELTON: It would just take a lot longer
10 to do that analysis, because we're talking about over a
11 hundred code sections and regulations. And to do
12 the whole leg. history on each individual section and
13 would take a lot longer. We wouldn't be able to bring
14 this back in March or May. It would be a year from now
15 to do a new-program/higher-level-of-service, which we'd
16 be happy to do if that's the desire of the Commission.

17 CHAIR BRYANT: And one thing, too, is I was --
18 there's the question, the OPR guidelines, and whether or
19 not that's alive. So I'm assuming, is there any way that
20 we can get some of this off the table today? Or is the
21 only option in front of us to go all the way back and
22 start at the beginning? Is there any way to divide the
23 question a little bit to create less work, less time?

24 Yes?

25 MR. PALKOWITZ: If I may respond to that.

Commission on State Mandates – January 29, 2010

1 So staff under -- there's several issues before
2 this Commission on this.

3 What the claimant is trying to focus on, would
4 be the issue that deals with new schools, not with the
5 maintenance or emergency repairs or the Items A and B;
6 rather, Item C.

7 Now, Item C includes statutes subsequent to
8 1976, and also is what the basis of our "practical
9 compulsion" argument is. So that would be the area we
10 would want, and ask for additional time to submit this.

11 Although I am very cognizant of the long period
12 of time it takes to get here; however, the law is
13 evolving during those five, six years, too. And I think
14 for us to take a few more months to deal with that one
15 issue would be reasonable.

16 CHAIR BRYANT: Any thoughts from the
17 Commission?

18 *(No response)*

19 CHAIR BRYANT: Is there a motion?

20 MS. SHELTON: Can I?

21 CHAIR BRYANT: Yes.

22 MS. SHELTON: On the issue of bifurcation, I
23 think that could be a little troublesome because we don't
24 know how that's going to work out when we do further
25 analysis. I think if you're going to want to continue

1 it, you need to continue the whole thing.

2 Certainly comments that come in from
3 Mr. Palkowitz and his clients can be limited to that
4 issue, and further analysis can be limited to that issue.
5 But I hesitate to recommend a bifurcation when I don't
6 really know how that would affect the other portions.

7 MEMBER WORTHLEY: I don't think he actually
8 indicated or said "bifurcation." I didn't hear him say
9 that, but I think the idea that he is going to focus on a
10 particular part of the -- a limited portion of the claim.

11 MS. SHELTON: Right.

12 MEMBER WORTHLEY: Obviously, our staff can
13 respond to that only, and not necessarily have to do an
14 exhaustive study of all the various statutes.

15 MS. SHELTON: Right.

16 MEMBER WORTHLEY: I would move that we continue
17 this matter to a date uncertain, because it would take
18 some time for this to happen, and give the opportunity
19 for the claimant to amend their pleadings as to the issue
20 of practical compulsion.

21 And then I suppose the staff would have to
22 analyze the issue in terms of if we assume that they've
23 got to the practical-compulsion claim, they would have to
24 look at CEQA to determine to what extent the CEQA law has
25 been amended or require a higher level of service, which

Commission on State Mandates – January 29, 2010

1 would be the portion that would be subject to the
2 reimbursement.

3 MS. SHELTON: Correct.

4 MEMBER GLAAB: And I'd like to second that.

5 And I would just also want to convey to staff
6 that I'm extremely sensitive to workload and the fact
7 that we have kind of drug these out for such a long
8 period of time. So I am very sensitive to that. But
9 on the issue, I just believe that we need to give the
10 claimant just a little more time to make a
11 practical-compulsion argument. So I'll be seconding
12 that motion.

13 CHAIR BRYANT: We have a motion and a second.

14 Is there -- Paula, can you call the roll?

15 MS. HIGASHI: Certainly.

16 Ms. Cox?

17 MEMBER COX: Aye.

18 MS. HIGASHI: Mr. Glaab?

19 MEMBER GLAAB: Aye.

20 MS. HIGASHI: Mr. Lujano?

21 MEMBER LUJANO: Aye.

22 MS. HIGASHI: Ms. Olsen?

23 MEMBER OLSEN: Aye.

24 MS. HIGASHI: Mr. Worthley?

25 MEMBER WORTHLEY: Aye.

Commission on State Mandates – January 29, 2010

1 MS. HIGASHI: Mr. Chivaro?

2 MEMBER CHIVARO: Aye.

3 MS. HIGASHI: Ms. Bryant?

4 MEMBER BRYANT: No.

5 MS. HIGASHI: The motion is --

6 CHAIR BRYANT: Me voting, it seems to happen to
7 me a lot here --

8 MS. HIGASHI: The motion is carried.

9 MEMBER WORTHLEY: Mr. Sheehy would be proud.

10 CHAIR BRYANT: I just want to make one quick
11 comment on that since chances are strong that I will not
12 get to hear this matter again.

13 I thought the staff analysis was so well done,
14 I think that you could literally lift your CEQA
15 discussion and put it in a primer on CEQA. I thought it
16 was really, really well done.

17 MEMBER WORTHLEY: I was going to make the same
18 comment. It was like a great primer on CEQA analysis.
19 And I'm dealing with CEQA all the time in local
20 government. It was a great review for me. I appreciate
21 it. Thank you.

22 MR. PALKOWITZ: I would echo that. It will
23 help me when I speak to the people in my district who
24 know this inside-out, to have a good understanding, so...

25 MS. SHELTON: Let me just say that Heather had

Commission on State Mandates – January 29, 2010

1 firsthand experience with CEQA in private practice before
2 coming to the Commission. So, thankfully, we have her on
3 staff.

4 MS. HIGASHI: I'd like to ask the parties to
5 this case to meet with us after the hearing so we can
6 talk about submittal times.

7 MR. PALKOWITZ: Thank you.

8 CHAIR BRYANT: Okay, Paula, we skip Item 7, I
9 guess.

10 MS. HIGASHI: So we skip 7.

11 Items 8 and 9 are postponed at the request of
12 the claimant.

13 And this brings us to Item 10, which is the
14 test claim on the *Mandate Reimbursement Process II*. And
15 this item will be presented by Chief Legal Counsel
16 Camille Shelton.

17 MS. SHELTON: This test claim is on remand
18 from the Court in the *California School Board Association*
19 *v. State of California* case, and addresses statutes and
20 regulations which amended the test-claim process for
21 seeking reimbursement for state-mandated costs under
22 Article XIII B of the California Constitution.

23 Based on the Court's decision in *CSBA*, staff
24 finds that Government Code Section 17553 and Section 1183
25 of the Commission's regulations mandate a new program or

Commission on State Mandates – January 29, 2010

1 higher level of service on school districts and local
2 agencies for the new activities required when filing a
3 test claim or a test-claim amendment.

4 Staff further finds that the exception to
5 reimbursement in Government Code section 17556,
6 subdivision (f), does not apply to deny this claim.

7 Staff recommends that the Commission adopt the
8 staff analysis and approve the test claim for the
9 activities listed beginning on page 23 of the executive
10 summary.

11 Will the parties and their witnesses please
12 state their names?

13 MR. EVERROAD: Glen Everroad, City of Newport
14 Beach.

15 MS. GMUR: Juliana Gmur on behalf of the City
16 of Newport Beach.

17 MR. CAROSONE: Jeff Carosone, Department of
18 Finance.

19 MS. FEREBEE: Donna Ferebee, Department of
20 Finance.

21 MS. ROMERO: Lorena Romero, Department of
22 Finance.

23 CHAIR BRYANT: Ms. Gmur, Mr. Everroad?

24 MS. GMUR: Thank you. Good morning,
25 Commissioners.

Commission on State Mandates – January 29, 2010

1 Before I launch into what is going to be an
2 extremely brief comment on the issue pending, I'd like
3 to compliment staff on their work. Specifically,
4 Ms. Shelton has put together a very elegant analysis that
5 you have before you today.

6 Also before you today is comments that were a
7 late filing by the California School Boards Association
8 dated January 28th, 2010.

9 The City of Newport Beach concurs with the CSBA
10 and joins with them to support staff analysis. And we
11 urge its adoption today.

12 Thank you.

13 CHAIR BRYANT: The Department of Finance?

14 MS. ROMERO: The Department of Finance agrees
15 with some portions of the staff analysis, that
16 sections 17557 and 17564 of the Government Code, and
17 sections 1183.13 of the Commission's regulations as
18 amended by the test-claim statutes do not constitute a
19 state reimbursable mandate.

20 However, we do not agree with the Commission
21 staff analysis that section 17553, subdivisions (b)(1)(C)
22 through (G) and (b)(2) impose state-mandated
23 reimbursable activities.

24 We believe that the mandate reimbursement
25 process is absolutely necessary to implement the

1 subvention of funds required by the voter-approved
2 measure, Proposition 4. Without a process, the State
3 could not identify costs and ensure that the amounts
4 reimbursed to local agencies is accurate.

5 That being said, we also do not agree with the
6 staff analysis that the constitutional provision should
7 have to require activities of the local agencies to
8 participate in the process.

9 Additionally, Finance does not believe that the
10 amendments to Government Code section 17553, subdivision
11 (b)(1)(C) impose new programs or higher level of service.
12 Certain of the items within these sections were
13 previously required under other statutes.

14 The regulations -- previous regulations had
15 some of the requirements. Specific requirements of those
16 were the increased cost which must be identified in the
17 written narratives. Those were previously in the
18 regulations and also actuary estimated annual costs which
19 were incurred.

20 The other sections, we think, do not impose a
21 higher level of service or a new program and are
22 de minimis if solely the information as provided.

23 CHAIR BRYANT: Okay, thank you.

24 Does anybody else have any comments at the
25 table?

Commission on State Mandates – January 29, 2010

1 Did you have a question?

2 MEMBER CHIVARO: No.

3 CHAIR BRYANT: Any other questions or comments
4 from the panel?

5 MEMBER WORTHLEY: I move the staff analysis
6 recommendation.

7 MEMBER CHIVARO: I'll second.

8 CHAIR BRYANT: There's been a motion and a
9 second.

10 Paula, can you call the roll?

11 MS. HIGASHI: Mr. Glaab?

12 MEMBER GLAAB: Aye.

13 MS. HIGASHI: Mr. Lujano?

14 MEMBER LUJANO: Aye.

15 MS. HIGASHI: Ms. Olsen?

16 MEMBER OLSEN: Aye.

17 MS. HIGASHI: Mr. Worthley?

18 MEMBER WORTHLEY: Aye.

19 MS. HIGASHI: Mr. Chivaro?

20 MEMBER CHIVARO: Aye.

21 MS. HIGASHI: Ms. Cox?

22 MEMBER COX: Aye.

23 MS. HIGASHI: Ms. Bryant?

24 MEMBER BRYANT: Aye.

25 MS. HIGASHI: The motion is carried.

Commission on State Mandates – January 29, 2010

1 Item 11 is the Proposed Statement of Decision.
2 Ms. Shelton will present this.

3 MS. SHELTON: Staff recommends that the
4 Commission adopt the Proposed Statement of Decision that
5 reflects the staff recommendation on this test claim.
6 The Proposed Statement of Decision begins on page 3.

7 CHAIR BRYANT: Are there any --

8 MEMBER OLSEN: I'll make the motion.

9 CHAIR BRYANT: We have a motion.

10 Is there a second?

11 MEMBER CHIVARO: Second

12 CHAIR BRYANT: Paula, can you call the roll.

13 MS. HIGASHI: Who made the motion? I didn't --

14 MEMBER OLSEN: *(Indicating.)*

15 CHAIR BRYANT: Ms. Olsen.

16 MS. HIGASHI: Ms. Olsen? Okay.

17 Mr. Lujano?

18 MEMBER LUJANO: Aye.

19 MS. HIGASHI: Ms. Olsen?

20 MEMBER OLSEN: Aye.

21 MS. HIGASHI: Mr. Worthley?

22 MEMBER WORTHLEY: Yes.

23 MS. HIGASHI: Mr. Chivaro?

24 MEMBER CHIVARO: Aye.

25 MS. HIGASHI: Mr. Cox -- Ms. Cox?

Commission on State Mandates – January 29, 2010

1 MEMBER COX: My dad's not here.

2 MS. HIGASHI: I'm sorry. I'm going to do this
3 for a while. I'm sorry.

4 MEMBER COX: That's all right.

5 MS. HIGASHI: Ms. Cox and Mr. Glaab?

6 MEMBER COX: Aye.

7 MEMBER GLAAB: Aye.

8 MS. HIGASHI: And Ms. Bryant?

9 CHAIR BRYANT: Aye.

10 MS. HIGASHI: I guess I owe you lunch.

11 MEMBER WORTHLEY: You can call me "Mrs." if you
12 buy lunch.

13 MS. FEREBEE: Thank you, Commissioners. Thank
14 you very much.

15 MS. HIGASHI: This brings us to Item 15.

16 This item will be presented by Assistant
17 Executive Director Nancy Patton.

18 There are Part A and Part B, two different
19 programs.

20 MS. PATTON: Good morning.

21 Part A involves the parameters and guidelines
22 for the *Collective Bargaining and Collective Bargaining*
23 *Agreement Disclosure Program*.

24 This is one of 49 requests filed by the State
25 Controller's Office to amend the parameters and

1 guidelines to add language regarding source documentation
2 and record-retention requirements.

3 There was no opposition to including similar
4 amendments to the parameters and guidelines that were
5 adopted earlier on the Consent Calendar. However, there
6 is opposition to amending the *Collective Bargaining*
7 parameters and guidelines.

8 On October 14th, 2009, the petitioners in the
9 *Clovis Unified School District v State Controller* case
10 filed comments objecting to the SCO-requested amendments
11 because the proposed language is unrealistic and
12 inconsistent with the day-to-day operations of school and
13 community-college districts.

14 The *Clovis* case involves a challenge by school
15 districts and community-college districts on reductions
16 made by the State Controller's Office to reimbursement
17 claims for several mandated programs. The districts
18 argue that reductions made on the ground that school
19 districts do not have contemporaneous source documents
20 are invalid.

21 In 2009, the trial court issued a judgment
22 holding that the Controller has no authority to reduce
23 a claim on the ground that a claimant did not maintain
24 contemporaneous source documents absent statutory or
25 regulatory authority to require contemporaneous source

1 documents or language in the parameters and guidelines
2 requiring it.

3 This case is pending in the Third District
4 Court of Appeal.

5 Opponents recommend the Commission postpone
6 this matter until the Court fully resolves the issue.

7 The opponents submitted a letter on
8 January 14th, stating that they would not be appearing at
9 this hearing; and requested that the Commission fully
10 consider their arguments in their October 14th letter;
11 and that it be made a part of the record.

12 Staff finds that the parameters and guidelines
13 for the *Collective Bargaining/Collective Bargaining*
14 *Agreement Disclosure Program* should be amended to insert
15 the requested language because it would conform the
16 parameters and guidelines for this program with the
17 parameters and guidelines adopted for other programs, and
18 is consistent with Section 1183.1 of the Commission's
19 regulations. Therefore, staff included the language
20 requested by the SCO.

21 Staff recommends that the Commission adopt the
22 SCO's proposed amendments to the parameters and
23 guidelines for this program.

24 Will the parties please state your names for
25 the record?

Commission on State Mandates – January 29, 2010

1 MS. GEANACOU: Susan Geanacou, Department of
2 Finance.

3 MR. SPANO: Jim Spano, State Controller's
4 Office.

5 CHAIR BRYANT: Mr. Spano, Ms. Geanacou, who
6 would like to speak?

7 MS. GEANACOU: Susan Geanacou for Finance.

8 I just wish to echo our written comments filed,
9 I believe, earlier this month, that we support the
10 proposed amendments to the P's & G's.

11 CHAIR BRYANT: Mr. Spano?

12 MR. SPANO: The State Controller's Office
13 supports the Commission's final staff analysis and
14 related recommendation.

15 As noted by the Commission, the proposed
16 language for source documentation and record retention
17 is the same language as in the parameters and guidelines
18 adopted by the Commission since 2003 for other
19 state-mandated cost programs.

20 The Commission has properly amended many other
21 parameters and guidelines to include the updated source
22 documentation rule. The *Collective Bargaining* and
23 *Intradistrict Attendance* program should be no different.

24 The requirement to maintain contemporaneous
25 source document records to support costs claimed we

Commission on State Mandates – January 29, 2010

1 believe is neither unrealistic nor inconsistent with
2 day-to-day operation of schools and community colleges.

3 Districts are required to support its costs
4 with sufficient competent evidential matter for its many
5 state and federal programs. Such requirement is
6 consistent with the guidance provided by the California
7 Department of Education in its California School
8 Accounting Manual, and principles and standards
9 applicable to federal funds prescribed in a Code of
10 Federal Regulations also known as Office of Management
11 Budget, Circular A87 and A21.

12 And finally, we believe the litigation has
13 no impact on the Commission in meeting the parameters
14 and guidelines for the *Collective Bargaining* and
15 *Intradistrict Attendance* program.

16 In fact, the Superior Court peremptory writ of
17 mandate dated February 19th, 2009, states that many of
18 the parameters and guidelines is one of three options to
19 validate contemporaneous source document rules for the
20 *Collective Bargaining* and *Intradistrict Attendance*
21 program.

22 CHAIR BRYANT: Thank you.

23 Are there any questions or comments from the
24 Commission?

25 MEMBER CHIVARO: Move approval of staff

Commission on State Mandates – January 29, 2010

1 recommendation.

2 MEMBER OLSEN: Second.

3 CHAIR BRYANT: It's been moved and seconded.

4 Paula, can you call the roll?

5 MS. HIGASHI: Mr. Lujano?

6 MEMBER LUJANO: Aye.

7 MS. HIGASHI: Ms. Olsen?

8 MEMBER OLSEN: Aye.

9 MS. HIGASHI: Mr. Worthley?

10 MEMBER WORTHLEY: Aye.

11 MS. HIGASHI: Mr. Chivaro?

12 MEMBER CHIVARO: Aye.

13 MS. HIGASHI: Ms. Cox?

14 MEMBER COX: Aye.

15 MS. HIGASHI: Mr. Lujano?

16 MEMBER LUJANO: Aye.

17 MS. HIGASHI: Mr. Glaab?

18 MEMBER GLAAB: Aye.

19 MS. HIGASHI: Ms. Bryant?

20 CHAIR BRYANT: Aye.

21 MS. HIGASHI: Thank you.

22 CHAIR BRYANT: The motion carries.

23 MS. HIGASHI: And then we have B.

24 MS. PATTON: The issue here is identical to the
25 previous item on *Collective Bargaining*. This is one of

Commission on State Mandates – January 29, 2010

1 49 requests filed by the State Controller's Office, in
2 this case, to amend the parameters and guidelines for the
3 *Intradistrict Attendance* program.

4 The petitioners in the *Clovis* case are also
5 opposed to amending this set of parameters and
6 guidelines. Opponents recommend the Commission postpone
7 this matter until the Court fully resolves the issue.

8 The January 14th letter filed by opponents
9 pertains also to this item. And staff is recommending
10 that we amend the parameters and guidelines for the
11 *Intradistrict Attendance* program.

12 CHAIR BRYANT: Do you have anything to add or
13 can we assume your previous comments all flow here?

14 MR. SPANO: It would be the same response as
15 the first one.

16 MEMBER CHIVARO: I move the staff
17 recommendation.

18 MEMBER COX: Second.

19 CHAIR BRYANT: Okay, it's been moved and
20 seconded.

21 Paula, can you call the roll?

22 MS. HIGASHI: Ms. Olsen?

23 MEMBER OLSEN: Aye.

24 MS. HIGASHI: Mr. Worthley?

25 MEMBER WORTHLEY: Aye.

Commission on State Mandates – January 29, 2010

1 MS. HIGASHI: Mr. Chivaro?

2 MEMBER CHIVARO: Aye.

3 MS. HIGASHI: Ms. Cox?

4 MEMBER COX: Aye.

5 MS. HIGASHI: Mr. Glaab?

6 MEMBER GLAAB: Aye.

7 MS. HIGASHI: Mr. Lujano?

8 MEMBER LUJANO: Aye.

9 MS. HIGASHI: And Ms. Bryant?

10 CHAIR BRYANT: Aye.

11 MS. HIGASHI: The motion is carried.

12 CHAIR BRYANT: And, again, on this item to
13 Ms. Patton, great work on all these and all the
14 amendments that were in the Consent Calendar.

15 MS. PATTON: Thank you.

16 CHAIR BRYANT: I know your staff worked really
17 hard to get that done, so thank you.

18 MS. HIGASHI: Item 18 is postponed.

19 Item 20, we have no County applications to
20 consider.

21 And Item 21, Ms. Patton will give a leg update.

22 MS. PATTON: We have three bills so far this
23 year. Two were introduced last year. One is new. It
24 was introduced in January, I believe.

25 AB 349 would require the Department of Finance

1 to provide the Legislature with all proposed statutory
2 changes necessary to repeal any local agency mandates
3 proposed for suspension in the Governor's budget, and
4 include each affected section of law. The bill would not
5 go into effect until January 2012.

6 The author introduced the bill because he is
7 concerned that there are over two dozen mandates that
8 have been suspended for at least three years, ten of
9 which have been suspended for at least 18 years. The
10 bill is supported by local government and peace-officer
11 associations.

12 There is no known opposition to the bill.
13 However, last year, the Legislature rejected a budget
14 trailer bill that would have repealed numerous suspended
15 mandates because they believe that repeal of mandates
16 should be decided in policy committee. So this bill
17 could face the same opposition from the Legislature.
18 It's pending in Senate budget and fiscal review
19 committee. It's had no hearings yet.

20 The second bill is AB 548. This bill would
21 lengthen the period in which a reimbursement claim for
22 actual costs would be subject to an initiation of an
23 audit by the State Controller from three to four years
24 after the date that the actual reimbursement claim is
25 filed or amended; and it would eliminate the State

Commission on State Mandates – January 29, 2010

1 Controller's authority to extend the audit period when
2 funds are not appropriated or no payment is made to a
3 claimant.

4 This bill is sponsored by several school
5 district and local agency associations and the State
6 Controller -- or it's supported by the State Controller
7 and it is opposed by the Department of Finance. It's
8 pending on the Senate floor. It has been there for a
9 while.

10 AB 917 is the new bill just introduced. The
11 Administration and Legislature have deferred payment for
12 school-district mandates by funding each mandate with
13 \$1,000. And this is different than when they suspend the
14 local government mandates.

15 School officials challenged this practice in
16 Court, and the Court found that the California
17 Constitution requires the State to budget full
18 reimbursement of local governments for the cost of state
19 mandates, and ordered the State to fully fund mandates
20 in the future. The State has appealed this decision, and
21 it is pending in the Fourth District Court of Appeal.

22 This bill would require the State, commencing
23 with the '09-10 fiscal year, to either fully fund
24 school-district mandates or suspend them, and would
25 authorize the State to recommend mandates for years prior

Commission on State Mandates – January 29, 2010

1 to the 2009-10 or over a five-year period.

2 This bill attempts to address the recent court
3 decision. It may not be necessary. The Governor's
4 proposed budget for 2010-11 already suspends the school
5 district mandates. So I'm not sure that it's necessary.

6 There's no known support or opposition at this
7 time, and it's pending in the Assembly education
8 committee.

9 I will keep you briefed as they move along.

10 CHAIR BRYANT: Thank you.

11 MS. HIGASHI: Item 22, Chief Legal Counsel's
12 report.

13 MS. SHELTON: As you can see, there's really
14 nothing new to report. The only change here has been the
15 hearing date for the *Behavior Intervention Plan* case has
16 been moved to December 2010.

17 We have been putting on our cases of interest,
18 the *Clovis* case. The briefing has been complete on that.

19 We did just get word this week from the Court that the
20 California School Boards Association has applied to file
21 an amicus brief. So if the Court accepts that, then
22 there will be some further briefing before they set a
23 hearing date. And we'll continue to keep you informed on
24 that case.

25 CHAIR BRYANT: Thank you.

Commission on State Mandates – January 29, 2010

1 MS. HIGASHI: Item 23, my report.

2 I just wanted to call attention to our pending
3 workload, what it looks like. And we continue to reduce
4 the number of test claims. And we hope to see our
5 reduction continue very actively through this year.

6 Also note that today you've made a substantial
7 dent in the Proposed Parameters and Guidelines
8 amendments.

9 And I'd also like to acknowledge the work done
10 by Nancy Patton and her team, namely Heidi Palchik, Jason
11 Rogers, Lorenzo Duran, and Kerry Ortman. All the work
12 that they did in pulling records, scanning records,
13 writing amendments, and putting together everything that
14 had to be done, as well as uploading all these items on
15 the Web site. And so I think we need to thank all of
16 them very much for their hard work.

17 CHAIR BRYANT: Thank you, again.

18 MS. HIGASHI: I'd also just like to introduce
19 Jeff Carosone. He is, as some of us have said, he is the
20 "new Carla" from the Department of Finance. He is now
21 working on the Mandates program.

22 Jeff, would you like to --

23 MR. CAROSONE: Sure.

24 Hi, my name is Jeff Carosone; and I'm replacing
25 Carla Castañeda as the principal on the Mandates

Commission on State Mandates – January 29, 2010

1 assignment. I'd like to take this opportunity to thank
2 Carla for her years on the Mandates assignment, and
3 congratulate her and wish her luck on her new assignment
4 within Finance. She has transferred to a different unit
5 in Finance. And I realize I have big shoes to fill, but
6 I'm up for the challenge, so it's nice to meet all of
7 you.

8 MS. HIGASHI: Thank you.

9 CHAIR BRYANT: Thank you.

10 Jeff used to do the OPR budgets, so we have a
11 long relationship. Anyway, so we can learn this
12 together. Thank you.

13 MS. SHELTON: We promise we won't call you the
14 "new Carla" very long.

15 MR. CAROSONE: Thank you.

16 CHAIR BRYANT: And I don't want to be called
17 the "new Tom," either.

18 MS. HIGASHI: We never called you that.

19 I have only a couple things I just wanted to
20 note. There is information from the Governor's budget
21 that's been excerpted here. I have nothing to add to
22 this other than to say that we continue to watch our
23 e-mails as we receive e-mails from the Department of
24 Finance, new budget letters. We're sorting through the
25 meaning of all of these different budget drills and how

Commission on State Mandates – January 29, 2010

1 they will effect the Commission's budget because of
2 different cuts and proposed cuts that will need to be
3 made.

4 The Commission has filed its report to the
5 Legislature for approved mandates. We will soon be
6 filing one on the denied mandates from last year.

7 The tentative agendas for our next two meetings
8 are listed on the following pages of the agenda -- I
9 should say, on pages 3, 4, and 5.

10 As you can see, it's, again, a very ambitious
11 agenda with a lot of items. And we'll be moving the
12 *Clean Restrooms* test claim to the March agenda. So don't
13 forget what you've read.

14 CHAIR BRYANT: Okay.

15 MS. HIGASHI: And we have more P's & G's
16 amendments.

17 And also, I'd like to note that since you've
18 approved the rulemaking calendar for this year, that in
19 March we will be scheduling a workshop to meet with all
20 the parties to go over staff's first draft of proposed
21 cleanup amendments to our regulations. And we'll work
22 with the various parties and their associations to
23 schedule a time and place that will be compatible with
24 their meeting schedules. But that will be happening for
25 us in March also.

Commission on State Mandates – January 29, 2010

1 If commissioners have amendments they would
2 like to identify for us or propose to us, we're certainly
3 open to getting those thoughts from you now.

4 CHAIR BRYANT: Okay.

5 MS. HIGASHI: Are there any questions about
6 anything?

7 CHAIR BRYANT: Thank you.

8 Is there any public comment on anything?

9 *(No response)*

10 CHAIR BRYANT: Okay, then we're going to
11 adjourn to closed executive session.

12 The Commission will meet in closed executive
13 session pursuant to Government Code section 11126,
14 subdivision (e), to confer with and receive advice from
15 legal counsel for consideration and action, as necessary
16 and appropriate, upon the pending litigation listed on
17 the published notice and agenda; and to confer with and
18 receive advice from legal counsel regarding potential
19 litigation.

20 The Commission will also confer on personnel
21 matters and a report from the personnel subcommittee
22 pursuant to Government Code sections 11126,
23 subdivision (a).

24 We will reconvene in open session in
25 approximately 15 minutes.

Commission on State Mandates – January 29, 2010

1 *(The Commission met in closed executive*
2 *session from 10:42 a.m. to 11:14 a.m.)*

3 CHAIR BRYANT: Okay, the Commission met in
4 closed executive session pursuant to Government Code
5 section 11126, subdivision (e), to confer with and
6 receive advice from legal counsel for consideration and
7 action, as necessary and appropriate, upon the pending
8 litigation listed on the published notice and agenda and
9 potential litigation; and to confer on personnel matters
10 and report from the Personnel Subcommittee published on
11 the published notice and agenda pursuant to Government
12 Code section 11126, subdivision (a)(1).

13 The Commission will reconvene in open session.

14 So we have no further business to discuss. I
15 will entertain a motion to adjourn.

16 MEMBER CHIVARO: So moved.

17 MEMBER COX: Second.

18 CHAIR BRYANT: All those in favor?

19 *(A chorus of "ayes" was heard.)*

20 CHAIR BRYANT: The meeting is adjourned.

21 *(Gavel sounded.)*

22 *(The meeting concluded at 11:15 a.m.)*

23 --oOo--

24

25

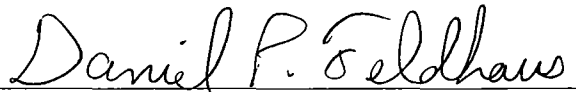
REPORTER'S CERTIFICATE

I hereby certify:

That the foregoing proceedings were duly reported by me at the time and place herein specified; and

That the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer-aided transcription.

In witness whereof, I have hereunto set my hand on February 16th, 2010.



Daniel P. Feldhaus
California CSR #6949
Registered Diplomat Reporter
Certified Realtime Reporter