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State Mandates

JOHN CHIANG
California State Controller

LATE FILING

October 7, 2014

Heather Halsey
Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Re: **Incorrect Reduction Claim (IRC)**
Health Fee Elimination, 08-4206-I-17
Education Code Section 76355
Statutes 1984, Chapter 1, 2nd E.S.; Statutes 1987, Chapter 1118
Fiscal Years: 2003-2004, 2004-2005, and 2005-2006
Santa Monica Community College District, Claimant

Dear Ms. Halsey:

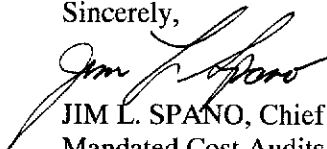
The State Controller's Office (SCO) is transmitting our response to the above-entitled IRC.

The district did not comply with the requirements of the claiming instructions in developing its indirect cost rates. The SCO's adjustment to the indirect cost rates based on the SCO's FAM-29C methodology is supported by the Commission's decisions on previous IRCs (e.g., statement of decision adopted on January 24, 2014, for the San Mateo County and San Bernardino community college districts on this same program). The parameters and guidelines, which were duly adopted at a Commission hearing, require compliance with the claiming instructions. The claiming instructions and related general provisions of the SCO's Mandated Cost Manual provide ample notice for claimants to properly claim indirect costs.

The district offset revenues collected from student health fees rather than by the fee amount the district was authorized to impose. The SCO's reduction of reimbursement to the extent of fee authority is supported by Education Code section 76355, the Commission decisions on previous IRCs, as mentioned above, and the appellate court decision in *Clovis Unified School District v. Chiang*.

If you have any questions, please contact me by telephone at (916) 323-5849.

Sincerely,


JIM L. SPANO, Chief
Mandated Cost Audits Bureau
Division of Audits

**RESPONSE BY THE STATE CONTROLLER'S OFFICE (SCO)
TO THE INCORRECT REDUCTION CLAIM (IRC) BY
SANTA MONICA COMMUNITY COLLEGE DISTRICT
Health Fee Elimination Program**

Table of Contents

<u>Description</u>	<u>Page</u>
SCO Response to District's Comments	
Declaration (Affidavit of Bureau Chief)	Tab 1
State Controller's Office Analysis and Response	Tab 2
State Controller's Office Claiming Instructions, Section 5B, Indirect Costs – September 2004.....	Tab 3
State Controller's Office Claiming Instructions, Section 8, Indirect Costs – December 2005.	Tab 4
Health Fee Elimination Claiming Instructions – Updated September 1997	Tab 5
Commission on State Mandates Staff Analysis, Proposed Parameters and Guidelines – May 1989.....	Tab 6
Commission on State Mandates Meeting Minutes – May 1989	Tab 7

Note: References to Exhibits relate to the district's IRC filed on February 3, 2009, as follows:

- Exhibit B – PDF page 29
- Exhibit C – PDF page 42
- Exhibit E – PDF page 68

Tab 1

1 **OFFICE OF THE STATE CONTROLLER**

2 300 Capitol Mall, Suite 1850

3 Sacramento, CA 94250

4 Telephone No.: (916) 445-6854

5 BEFORE THE

6 COMMISSION ON STATE MANDATES

7 STATE OF CALIFORNIA

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9
10 INCORRECT REDUCTION CLAIM ON:

11 *Health Fee Elimination Program*

12 Chapter 1, Statutes of 1984, 2nd Extraordinary
13 Session; and Chapter 1118, Statutes of 1987

14 SANTA MONICA COMMUNITY COLLEGE
15 DISTRICT,
16 Claimant

No.: CSM 08-4206-I-17

AFFIDAVIT OF BUREAU CHIEF

17 I, Jim L. Spano, make the following declarations:

- 18 1) I am an employee of the State Controller's Office and am over the age of 18 years.
- 19 2) I am currently employed as a bureau chief, and have been so since April 21, 2000.
20 Before that, I was employed as an audit manager for two years and three months.
- 21 3) I am a California Certified Public Accountant (CPA).
- 22 4) I reviewed the work performed by the State Controller's Office (SCO) auditor.
- 23 5) Any attached copies of records are true copies of records, as provided by the Santa
24 Monica Community College District or retained at our place of business.
- 25 6) The records include claims for reimbursement, along with any attached supporting
documentation, explanatory letters, or other documents relating to the above-entitled
Incorrect Reduction Claim.

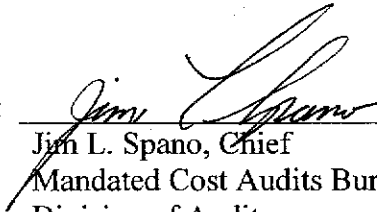
1 7) A field audit of the claims for fiscal year (FY) 2003-04, FY 2004-05 and FY 2005-06
2 commenced on June 19, 2008, and ended on August 15, 2008.

3 I do declare that the above declarations are made under penalty of perjury and are true and
4 correct to the best of my knowledge, and that such knowledge is based on personal
5 observation, information, or belief.

6 Date: June 15, 2010

7 OFFICE OF THE STATE CONTROLLER

8
9 By: _____


10 Jim L. Spano, Chief
11 Mandated Cost Audits Bureau
12 Division of Audits
13 State Controller's Office
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Tab 2

**STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE
TO THE INCORRECT REDUCTION CLAIM BY
SANTA MONICA COMMUNITY COLLEGE DISTRICT
For Fiscal Year (FY) 2003-04, FY 2004-05, and FY 2005-06**

**Health Fee Elimination Program
Chapter 1, Statutes of 1984, 2nd Extraordinary Session;
and Chapter 1118, Statutes of 1987**

SUMMARY

The following is the State Controller's Office's (SCO) response to the Incorrect Reduction Claim that the Santa Monica Community College District submitted on February 3, 2009. The SCO audited the district's claims for costs of the legislatively mandated Health Fee Elimination Program for the period of July 1, 2003, through June 30, 2006. The SCO issued its final report on November 14, 2008 (**Exhibit C**).

The district submitted reimbursement claims totaling \$1,104,368—\$421,098 for FY 2003-04 (\$422,098 less a \$1,000 penalty for filing a late claim), \$404,959 for FY 2004-05, and \$278,311 for FY 2005-06 (\$288,311 less a \$10,000 penalty for filing a late claim) (**Exhibit E**). Subsequently, the SCO performed an audit for the period of July 1, 2003, through June 30, 2006, and determined that \$308,426 is allowable and \$795,942 is unallowable. The costs are unallowable because the district claimed ineligible costs and understated revenues. The following table summarizes the audit results.

Cost Element	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 756,771	\$ 756,771	\$ —
Services and supplies	4,500	4,500	—
Total direct costs	761,271	761,271	—
Indirect costs	259,365	145,707	(113,658)
Total direct and indirect costs	1,020,636	906,978	(113,658)
Less authorized health service fees	(598,538)	(712,713)	(114,175)
Subtotal	422,098	194,265	(227,833)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 421,098</u>	193,265	<u>\$ (227,833)</u>
Less amount paid by the State ¹		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 193,265</u>	
<u>July 1, 2004 through June 2005</u>			
Direct costs:			
Salaries and benefits	\$ 698,777	\$ 698,777	\$ —
Services and supplies	15,490	15,490	—
Direct costs	714,267	714,267	—
Indirect costs	263,636	229,351	(34,285)

Cost Element	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 2004, through June 30, 2005 (continued)</u>			
Total direct and indirect costs	977,903	943,618	(34,285)
Less authorized health service fees	<u>(572,944)</u>	<u>(828,457)</u>	<u>(255,513)</u>
Total program costs	<u>\$ 404,959</u>	115,161	<u>\$ (289,798)</u>
Less amount paid by the State ¹		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 115,161</u>	
<u>July 1, 2005 through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 668,464	\$ 668,464	\$ —
Services and supplies	<u>10,072</u>	<u>10,072</u>	<u>—</u>
Direct costs	678,536	638,536	—
Indirect costs	<u>232,399</u>	<u>226,835</u>	<u>(5,564)</u>
Total direct and indirect cost	910,935	905,371	(5,564)
Less authorized health service fees	<u>(622,624)</u>	<u>(1,014,592)</u>	<u>(391,968)</u>
Subtotal	288,311	(109,221)	(397,532)
Less late penalty	(10,000)	(10,000)	—
Adjustments to eliminate negative balance	—	<u>119,221</u>	<u>119,221</u>
Total costs	<u>\$ 278,311</u>	—	<u>\$ (278,311)</u>
Less amount paid by the State ¹		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2003 through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 2,124,012	\$ 2,124,012	\$ —
Services and supplies	<u>30,062</u>	<u>30,062</u>	<u>—</u>
Direct costs	2,154,074	2,154,074	—
Indirect costs	<u>755,400</u>	<u>601,893</u>	<u>(153,507)</u>
Total direct and indirect costs	2,909,474	2,755,967	(153,507)
Less authorized health service fees	<u>(1,794,106)</u>	<u>(2,555,762)</u>	<u>(761,656)</u>
Subtotal	1,115,368	200,205	(915,163)
Less late penalty	(11,000)	(11,000)	—
Adjustments to eliminate negative balance	—	<u>119,221</u>	<u>119,221</u>
Total program costs	<u>\$ 1,104,368</u>	308,426	<u>\$ (795,942)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 308,426</u>	

¹ Payment information current as of June 14, 2010.

The district disagrees with all of the findings. The district believes that all indirect costs claimed are reimbursable under the mandated program. The district also believes that it properly offset health service fees from its claims.

I. HEALTH FEE ELIMINATION PROGRAM CRITERIA

Parameters and Guidelines – Amended May 25, 1989

On August 27, 1987, the Commission on State Mandates (CSM) adopted Parameters and Guidelines for Chapter 1, Statutes of 1984, 2nd Extraordinary Session. The CSM amended the parameters and guidelines on May 25, 1989 (Exhibit A), because of Chapter 1118, Statutes of 1987.

Section V identifies the scope of the mandate and the reimbursable activities as follows.

V. REIMBURSABLE COSTS

A. Scope of Mandate

Eligible community college districts shall be reimbursed for the costs of providing a health services program. Only services provided in 1986-87 fiscal year may be claimed.

B. Reimbursable Activities

For each eligible claimant, the following cost items are reimbursable to the extent they were provided by the community college district in fiscal year 1986-87. . . . [see **Exhibit B** for a list of reimbursable items.]

Section VI.B. provides the following claim preparation criteria:

VI. CLAIM PREPARATION

B. Actual Costs of Claim Year for Providing 1986-87 Fiscal Year Program Level of Service

Claimed costs should be supported by the following information:

1. Employee Salaries and Benefits

Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

2. Services and Supplies

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

3. Allowable Overhead Cost

Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.

Section VII defines supporting data as follows.

VII. SUPPORTING DATA

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. This would include documentation for the fiscal year 1986-87 program to substantiate maintenance of effort. These documents must be kept on file by the agency submitting the claim for a period of no less than three years from the date of the final payment of the claim pursuant to this mandate, and made available on the request of the State Controller or his agent.

Section VIII defines offsetting savings and other reimbursements as follows.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim. This shall include the amount . . . authorized by Education Code section 72246 [now Education Code Section 76355]. . . .

SCO Claiming Instructions

The SCO annually issues claiming instructions, which contain filing instructions for mandated cost programs. The September 2004 claiming instructions provide indirect cost claiming instructions for FY 2003-04 (**Tab 3**). The December 2005 claiming instructions provide indirect cost claiming instructions for FY 2004-05 (**Tab 4**). The December 2006 indirect cost claiming instructions for FY 2005-06 indirect cost were the same as the December 2005 instructions.

The instructions are consistent with the Health Fee Elimination Claim Summary Instructions, Form HFE-1.1, Item (05) (**Tab 5**).

II. THE DISTRICT OVERSTATED ITS INDIRECT COST RATES CLAIMED

Issue

The district overstated its indirect cost rates, thus claimed unallowable indirect costs totaling \$153,507 (\$113,658 for FY 2003-04, \$34,285 for FY 2004-05, and \$5,564 for FY 2005-06).

The district claimed indirect costs based on FY 2003-04 through FY 2004-05 indirect cost rate proposals (ICRPs) prepared by an outside consultant using the methodology from Title 2, Code of Federal Regulations, Part 220 (Office of Management and Budget [OMB] Circular A-21) (**Tab 5**). The district did not obtain federal approval of these ICRPs.

The district did not prepare the ICRPs according to the SCO claiming instructions. The district also prepared each year's ICRP using the prior year's actual rather than current cost data and did not properly allocate costs as indirect costs or direct costs.

SCO Analysis:

The parameters and guidelines state, "Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions." For FY 2003-04, the claiming instructions require the use of OMB Circular A-21 methodology to be federally approved. For FY 2004-05 and FY 2005-06, the claiming instructions require the district to calculate its indirect costs using the SCO's FAM-29C methodology.

For FY 2003-04, the SCO's claiming instructions (**Tab 3**) state:

A college has the option of using a federally approved rate, utilizing the cost accounting principles from Office of Management and Budget Circular A-21 "Cost Principles for Educational Institutions," or the Controller's [FAM-29C] methodology. . . .

For FY 2004-05 forward, the SCO's claiming instructions (**Tab 4**) state:

A CCD [community college district] may claim indirect costs using the Controller's methodology (FAM-29C). . . If specifically allowed by mandated program's P's & G's [parameters and guidelines], a district may alternately choose to claim indirect costs using either (1) a federally approved rate prepared in accordance with Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*; or (2) a flat 7% rate.

The parameters and guidelines do not specifically allow the district to claim indirect costs using a federally approved rate prepared in accordance with OMB Circular A-21 or a flat 7% rate.

The Form FAM-29C methodology did not support the rates that the district claimed.

District's Response

The Controller asserts that the District overstated its indirect cost rates and costs in the amount of \$153,507 for all three fiscal years. This finding is based upon the Controller's statement that the district "did not obtain federal approval for its ICRPS." Contrary to the Controller's ministerial preferences, there is no requirement in law that the claimant's indirect cost rate must be "federally" approved. Indeed, the federally "approved" rates that the Controller will accept without further action, are "negotiated" rates calculated by a district and then submitted for approval to the federal agencies that are the source of federal programs to which the indirect cost rate is to be applied. This demonstrates that the process is not an exact science, but a determination of the relevance and reasonableness of the cost allocation assumptions made for the method used.

CCFS-331 [sic]

In fact, both the District's method and the Controller's method utilized the same source document, the CCFS-311 Annual Financial and Budget Report required by the state. The difference in the claimed and audited methods is in the determination of which of those cost elements are direct costs and which are indirect costs.

The audit report unilaterally applies the FAM-29C method specified in the SCO claiming instructions, which results in widely varying rates. . . . There is nothing to indicate that the District's indirect cost rate is anything other than reasonable, except for the unenforceable preferences of the Controller.

Regulatory Requirements

No specific indirect cost rate calculation is required by statute. The parameters and guidelines state that "[i]ndirect costs *may be claimed* in the manner described by the Controller in his claiming instructions." (Emphasis supplied) The District claimed these indirect costs "in the manner" described by the Controller. The correct forms were used and the claimed amounts were entered at the correct locations.

. . . Since the Controller's claiming instructions were never adopted as regulations pursuant to the Administrative Procedures Act, the claiming instructions are merely a statement of the ministerial preferences of the Controller and not law.

Finally, the Controller notes that no districts requested a review of the claiming instructions pursuant to Title 2, Code of Regulations Section 1186. The claiming instructions are not properly adopted regulations or standards. There is also no requirement that a claimant request such a review. Therefore, the fact that no review of the claiming instructions was requested by any of the claimants is not determinative of their validity or force.

Unreasonable or Excessive

Government Code Section 17561(d)(2) requires the Controller to pay claims, provided that the Controller may audit the records of any school district to verify the actual amount of the mandated costs, and may reduce any claim that the Controller determines is excessive or unreasonable. The Controller is authorized to reduce a claim only if it determines the claim to be excessive or unreasonable. Here, the District has computed its indirect cost rate utilizing cost accounting principles from the Office of Management and Budget Circular A-21, and the Controller has disallowed it without a determination of whether the product of the District's calculation is excessive, unreasonable, or inconsistent with cost accounting principles. . .

The audit report states that "[t]he alternative methodology indirect cost rates did not support the rates that the district claimed; thus, the rates claimed were excessive." However, this is not a determination that the claimed rates were excessive. It is a statement that the only indirect cost calculation method acceptable to the Controller is its own FAM-29C method, regardless of the requirements of the parameters and guidelines. The fact that the claimed rates differ from the FAM-29C rates in no way indicates that the claimed rates are "too great to be reasonable or acceptable," and the Controller has no legal basis to establish the FAM-29C method as the standard for reasonableness.

Neither state law nor the parameters and guidelines make compliance with the Controller's claiming instructions a condition of reimbursement. The District has followed the parameters and guidelines. The burden of proof is on the Controller to prove that the District's calculation is unreasonable, not to recalculate the rate according to its unenforceable ministerial preferences. The Controller made no determination as to whether the method used by the District was unreasonable, but merely substituted its FAM-29C method for the method reported by the District. The substitution of the FAM-29C method is an arbitrary choice of the Controller, not a "finding" enforceable either by fact of law. . . .

SCO's Comment

CCFS-311

The district does not dispute that the SCO calculated the audited indirect cost rates using FAM-29C methodology according to the SCO's claiming instructions applicable to each fiscal year. The parameters and guidelines state, "Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions." The district did not prepare the ICRPs according to the claiming instructions.

Title 2, California Code of Regulations (CCR), section 1185, subdivision (e)(3), states, "If the narrative describing the alleged incorrect reduction(s) involves more than discussion of statutes or regulations or legal argument and utilizes assertions or representations of fact, such assertions or representation shall be supported by testimonial or documentary evidence and shall be submitted with the claim." The district did not provide support that the indirect cost rate methodology identified in the SCO's claiming instructions is invalid.

Furthermore, FAM-29C methodology calculates indirect cost rates using total current expenditures reported on the *California Community Colleges Annual Financial and Budget Report, Expenditures by Activity (CCFS-311)*. Form FAM-29C eliminates unallowable expenses and segregates the adjusted expenses between those incurred for direct and indirect activities relative to the mandated cost program.

Regulatory Requirements

The district states, "No specific indirect cost rate calculation is required by statute." The indirect rate calculation is prescribed by the parameters and guidelines. The parameters and guidelines state, "Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions." We disagree with the district's interpretation of "may be claimed," which simply permits the district to claim indirect costs. However, if the district chooses to claim indirect costs, then the district must comply with the SCO's claiming instructions. If the district believes that the parameters and guidelines are deficient, it should initiate a request to amend the parameters and guidelines pursuant to Government Code section 17557, subdivision (d). However, any such amendment would not apply to this audit period.

The district also presents an argument that it claimed costs in the manner described by the SCO simply by using the correct forms and entering claimed amounts in the correct location. We disagree. The district must also properly allocate costs as indirect costs or direct costs.

The district also states that it "claimed these indirect costs 'in the manner' described by the Controller." The district did *not* claim indirect costs in accordance with the SCO's claiming instructions. The district prepared its FY 2003-04 through FY 2005-06 ICRPs using OMB Circular A-21 methodology. The district did not obtain federal approval of its ICRPs. For FY 2003-04, the claiming instructions require the use of OMB Circular A-21 methodology to be federally approved. It also inappropriately prepared its ICRPs using the prior year's actual cost data. For FY 2004-05 and FY 2005-06, the claiming instructions require the district to calculate its indirect costs using the SCO's FAM-29C methodology.

The district inappropriately prepared its ICRPs using the prior year's actual cost data, as actual costs data was available prior to filing the mandate claims. Title 5, CCR, section 58305, subdivision (d), requires every college district to complete and file the financial statements on Form CCFS-311 on or before October 10 of the subsequent fiscal year. Title 5, CCR, section 59106, requires every college district to complete and file the annual audit report on or before December 31 of the subsequent fiscal year. The mandated cost claims were not due until January 15 of the subsequent fiscal year.

The district also states:

Since the Controller's claiming instructions were never adopted as regulations pursuant to the Administrative Procedures Act, the claiming instructions are merely a statement of the ministerial preference of the Controller and not law.

We disagree. The CSM adopted the parameters and guidelines pursuant to Government Code section 17557. The parameters and guidelines specifically reference the SCO's claiming instructions for claiming indirect costs. Government Code section 17527, subdivision (g), states that in carrying out its duties and responsibilities, the CSM shall have the following powers:

(g) To adopt, promulgate, amend, and rescind rules and regulations, *which shall not be subject to the review and approval of the Office of Administrative Law pursuant to the provisions of the Administrative Procedure Act* [emphasis added]. . . .

Therefore, the district's comments regarding the Administrative Procedure Act are without merit.

Unreasonable or Excessive

In addition to the statutory provision identified by the district, Government Code sections 17558.5 and 12410 are relevant. Government Code section 17558.5 requires the district to file a reimbursement claim for *actual* mandate-related costs. In addition, Government Code section

12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment." Therefore, the SCO has sufficient authority to impose these audit adjustments.

In any case, the SCO did conclude that the district claimed was excessive. Excessive is defined as "Exceeding what is usual, *proper, necessary*, [emphasis added] or normal."² The district's indirect cost rates exceeded the proper amount based on the audited indirect cost rates that the SCO calculated according to the claiming instructions.

The district states, "Neither state law nor the parameters and guidelines make compliance with the Controller's claiming instructions a condition of reimbursement. The District has followed the parameters and guidelines." However, the district did *not* follow the parameters and guidelines. The parameters and guidelines state, "Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions." The district did not comply with the claiming instructions applicable to each fiscal year during the audit period.

² Merriam-Webster's Collegiate Dictionary, Tenth Edition, © 2001.

III. THE DISTRICT UNDERSTATED AUTHORIZED HEALTH SERVICE FEES

Issue

The district understated authorized health fee revenue by \$761,656 (\$114,175 for FY 2003-04, \$255,513 for FY 2004-05, and \$391,968 for FY 2005-06). It reported actual health service fee revenue that it collected rather than authorized health service fees. The district believes that it is only required to reduce claimed costs by health fee revenues collected.

SCO Analysis:

The parameters and guidelines require a district to deduct authorized health services fees from costs claimed. From July 1, 2002 through December 31, 2005, Education Code section 76355, subdivision (c), authorizes health fees for all students except those students who: (1) depend exclusively on prayer for healing; (2) are attending a community college under an approved apprenticeship training program; (3) demonstrate financial need. Effective January 1, 2006, Education Code section 76355, subdivision (c) no longer excludes students who have a financial need. The CCCCCO identified the fees authorized by Education Code section 76355, subdivision (a).

Government Code section 17514 defines "costs mandated by the state" as any increased costs that a school district is required to incur. To the extent community college districts can charge a fee, they are not required to incur a cost. In addition, Government Code section 17556 states that the CSM shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

District's Response

The Controller asserts that the "authorized health fee revenues" were understated by \$761,656 for the three fiscal years. The District reported the actual student health fees collected as a reduction health services costs. The Controller calculated the student fees collectible based on the highest student health service fee chargeable, rather than the fee actually charged the student, and made no allowance for fees that were never charged or never collected, resulting in a total adjustment of \$761,656 for the three fiscal years.

Education Code Section 76355

Education Code Section 76355, subdivision (a), in relevant part, provides: "The governing board of a district maintaining a community college *may require* community college students to pay a fee . . . for health supervision and services. . . ." (Emphasis supplied) There is no requirement that community colleges levy these fees. The permissive nature of the provision is further illustrated in subdivision (b) which states "*If, pursuant to this Section, a fee is required, the governing board of the district shall decide the amount of the fee, if any, that a part-time student is required to pay. The governing board may decide whether the fee shall be mandatory or optional.*" (Emphasis supplied)

Parameters and Guidelines

The parameters and guidelines state:

Any offsetting savings that the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim. This shall include the amount of [student fees] as authorized by Education Code Section 72246(a).³

In order for a district to "experience" these "offsetting savings" a district must actually have collected these fees. Student health services fees actually collected must be used to offset costs, but not student fees that could have been collected and were not. The use of the term "any offsetting savings" further illustrates the permissive nature of the fees. Student fees actually collected must be used to offset costs, but not student fees that could have been collected and were not. Thus, this finding is based on illogical interpretation of the parameters and guidelines by the Controller.

Finally, the Department of Finance proposed, as part of the amendments that were adopted on May 2, 1989, that a sentence be added to the offsetting savings section expressly stating that if no health service fee was charged, the claimant would be required to deduct the amount authorized. The Commission declined to add this requirement and adopted the parameters and guidelines without this language. Therefore, it is evident that the Commission intends the language of the parameters and guidelines to be construed as written, and only those savings that are experienced are to be deducted.

Government Code Section 17514

The Controller relies upon Government Code Section 17514 for the conclusion that "[t]o the extent community college districts can charge a fee, they are not required to incur a cost." Government Code Section 17514, as added by Chapter 1459, Statutes of 1984, actually states:

"Costs mandated by the state" means any increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XII B of the California Constitution."

There is nothing in the language of the statute regarding the authority to charge a fee, any nexus of fee revenue to increased cost, nor any language which describes the legal effect of fees collected. . . .

Government Code Section 17556

The Controller relies upon Government Code Section 17556 for the conclusion that the Commission "shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

³ Former Education Code section 72246 was repealed by Chapter 8, Statutes of 1993, and was replaced by Education Code section 76355.

Government Code section, as last amended by Chapter 895/04 actually states:

"The commission shall not find costs mandated by the state, as defined in Section 17514, in any claim submitted by a local agency or school district, if, after a hearing, the commission finds that:

(d) The local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service."

The Controller misrepresents the law. Government Code Section 17556 prohibits the Commission on State Mandates from finding costs subject to reimbursement, that is, approving a test claim, where there is authority to levy fees *in an amount sufficient to offset the entire mandated costs*. Here, the Commission has already approved the test claim and made a finding of a new program or higher level of service for which the claimants do not have the ability to levy a fee in an amount sufficient to offset the entire mandated costs. It is not the position of the Controller to second guess the Commission's determinations or to use audits to promote its own interpretation of Section 17556.

Student Health Service Fee Amount

The Controller asserts that the district should have collected a student health service fee each semester from non-exempt students in the amount of \$12 and \$9 for FY 2003-04, \$13 and \$10 for FY 2004-05, and \$14 and \$11 for 2005-06. Districts receive notice of these fee amounts from the Chancellor of the California Community Colleges. An example of one such notice is the letter dated March 5, 2001, attached as Exhibit "D." While Education Code Section 76355 provides for an increase in the student health service fee, it did not grant the Chancellor the authority to establish mandatory fee amounts or mandatory fee increases. It should be noted that the Chancellor's letter properly states that increasing the amount of the fee is at the option of the district, and that the Chancellor is not asserting that authority. Therefore, the state cannot rely upon the Chancellor's notice as a basis to adjust the claim for "collectible" student health services fees.

Fees Collected vs. Fees Collectible

This issue is one of student health fees revenue actually received, rather than student health fees which might be collected. The Commission determined, as stated in the parameters and guidelines, that the student health services fees "experienced" would reduce the amount subject to reimbursement. Student fees not collected are student fees not "experienced" and as such should not reduce reimbursement. Further, the amount "collectible" will never equal actual revenues collected due to changes in student BOGG eligibility, bad debt accounts, and refunds.

Because districts are not required to collect a fee from students for student health services, and if such a fee is collected, the amount is to be determined by the District and not the Controller, the Controller's adjustment is without legal basis. What claimants are required by the parameters and guidelines to do is to reduce the amount of their claimed costs by the amount of student health services fee revenue actually received. Therefore, student health fees are merely collectible, they are not mandatory, and it is inappropriate to reduce claim amounts by revenues not received. The audit finding should be rejected and the annual student health service fees actually received should be used, in lieu of a calculated amount potentially collectible, to reduce the claimed costs.

SCO's Comment

Education Code Section 76355

We agree that community college districts may choose not to levy a health service fee or to levy a fee less than the authorized amount. Regardless of the district's decision to levy or not levy the authorized health service fee, Education Code section 76355, subdivision (a), provides districts with the *authority* to levy a health service fee.

Parameters and Guidelines

We disagree with the district's interpretation of the parameters and guidelines' requirement regarding authorized health service fees. The CSM clearly recognized the *availability* of another funding source by including the fees as offsetting savings in parameters and guidelines. The CSM's staff analysis of May 25, 1989 (**Tab 6**) states the following regarding the proposed parameters and guidelines amendments that the CSM adopted that day:

Staff amended Item "VIII. Offsetting Savings and Other Reimbursements" to reflect the reinstatement of [the] fee authority.

In response to that amendment, the [Department of Finance (DOF)] has proposed the addition of the following language to Item VIII. to clarify the impact of the fee authority on claimants' reimbursable costs:

"If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied."

Staff concurs with the DOF proposed language which does not substantively change the scope of Item VIII [emphasis added].

Thus, it is clear that the CSM intended that claimants deduct authorized health service fees from mandate-reimbursable costs claimed. Furthermore, the staff analysis included an attached letter from the CCCCOC dated April 3, 1989. In that letter, the CCCCOC concurred with the DOF and the CSM regarding authorized health service fees.

The district concludes that the CSM "declined" to add the sentence proposed by the DOF. We disagree. The CSM did not revise the proposed parameters and guidelines amendments further, since the CSM's staff concluded that DOF's proposal language did not substantively change the scope of staff's proposed language. The CSM, DOF, and CCCCOC all agreed with the intent to offset authorized health service fees. The CSM's meeting minutes of May 25, 1989 (**Tab 7**) show that the CSM adopted the proposed parameters and guidelines on consent. The Health Fee Elimination Program amended parameters and guidelines were Item 6 on the meeting agenda. The meeting minutes state, "There being no discussion or appearances on Items 2, 3, 4, 5, 6, 7, 10, and 12, Member Buenrostro *moved adoption of the staff recommendation of these items [emphasis added]* on the consent calendar. . . . The motion carried." Therefore, no community college districts objected and there was no change to the CSM's interpretation regarding authorized health service fees.

Government Code Section 17514

Government Code section 17514 states, "'Costs mandated by the state' means any increased costs which a local agency or school district is *required [emphasis added]* to incur. . . ." If the district has authority to collect fees attributable to health service expenses, then it is not *required* to incur a cost. Therefore, mandated costs do not include those health service expenses that may be paid by authorized fees.

Government Code Section 17556

The SCO does not "second-guess" CSM determinations, nor does it "use audits to promote its own interpretation" of statutory language. The district presents an argument that the statutory language applies only when the fee authority is sufficient to offset the "entire" mandated costs. We disagree. The CSM recognized that the Health Fee Elimination Program's costs are not uniform between districts. Districts provided different levels of service in FY 1986-87 (the "base year"). Furthermore, districts provided these services at varying costs. As a result, the fee authority may be sufficient to pay for some districts' mandated program costs, while it is insufficient for other districts. Meanwhile, Education Code section 76355 (formerly section 72246) established a uniform health

service fee assessment for students statewide. Therefore, the CSM adopted parameters and guidelines that clearly recognize an available funding source by identifying the health service fees as offsetting reimbursements. To the extent that districts have authority to charge a fee, they are not required to incur a cost.

Two court cases addressed the issue of fee authority.⁴ Both cases concluded that “costs” as used in the constitutional provision, exclude “expenses that are recoverable from sources other than taxes.” In both cases, the source other than taxes was fee authority.

⁴ *County of Fresno v. California* (1991) 53 Cal. 3d 482; *Connell v. Santa Margarita* (1997) 59 Cal. App. 4th 382.

Student Health Services Fee Amount

We agree that the CCCCCO is not authorized to direct districts to increase fees. Our finding states that the CCCCCO *identified* the fees authorized by Education Code section 76355, subdivision (a). In addition, our audit finding includes no reference to “mandatory” fee amounts or fee increases.

The parameters and guidelines require districts to deduct authorized health service fees from claimed costs. The CCCCCO identifies the fees authorized by the Education Code.

For FY 2003-04, the authorized fees were \$12 per semester, \$9 per summer session, and \$9 per intersession of at least four weeks, or \$9 per quarter. For FY 2004-05, the authorized fees were \$13 semester, \$10 per summer session, and \$10 per intersession of at least four weeks, or \$10 per quarter. For FY 2005-06, the authorized fees were \$14 per semester, \$11 per summer session, and \$11 per intersession of at least four weeks, or \$11 per quarter.

Fees Collected vs. Fees Collectible

The district states, “. . .the amount ‘collectible’ will never equal actual revenues collected due to changes in a student’s BOGG eligibility, bad debt accounts, and refunds.” The SCO calculated authorized service fees based on enrollment and BOGG recipient data that the district reported to the CCCCCO after each school term. The district is responsible for reporting accurate enrollment and BOGG recipient data, including any changes that result from BOGG eligibility or students who disenroll.

The district is authorized to assess health service fees. If the district fails to collect fees, it is not relieved from its responsibility to offset those fees from its mandated program claims nor is it permitted to claim bad debt expenses.

We agree that districts are not required to collect a fee. However, the Education Code authorizes the district to collect a fee and defines the authorized fee amount. To the extent that the Education Code authorizes the district to collect fees, it is not *required* to incur a cost. Pursuant to Government Code section 17514, mandated costs do not include any costs that the district may pay from authorized fees since the district is not *required* to incur a cost.

IV. CONCLUSION

The State Controller’s Office audited the Santa Monica Community College District’s claims for costs of the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session; and Chapter 1118, Statutes of 1987) for the period of July 1, 2003, through June 30, 2006. The district claimed unallowable costs totaling \$795,942. The costs are unallowable because the district overstated indirect costs, and understated health fees.

The district overstated its indirect cost rates, thus overstating its indirect costs by \$153,507 for the audit period. The district prepared its ICRPs using OMB Circular A-21 methodology. The district did not obtain federal approval for these ICRPs. Furthermore, the SCO FAM-29C methodology is the only allowable methodology for FY 2004-05 and FY 2005-06. In addition, the district used expenditures from the prior year's CCCCCO Annual Financial and Budget Report, Form CCFS-311, to prepare the current year's indirect costs rates in each of the three fiscal years. The SCO calculated indirect cost rates using the FAM-29C methodology; these rates did not support the rates claimed.

In addition, the district understated authorized health fees by \$761,656 for the audit period. The district reported actual revenue received rather than health fees the district was authorized to collect.

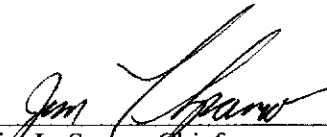
For FY 2005-06, offsetting revenues exceeded allowable costs by \$119,221.

In conclusion, the Commission on State Mandates should find that: (1) the SCO correctly reduced the district's FY 2003-04 claim by \$227,833; (2) the SCO correctly reduced the district's FY 2004-05 claim by \$289,798; and (3) the SCO correctly reduced the district's FY 2005-06 claim by \$278,311.

V. CERTIFICATION

I hereby certify by my signature below that the statements made in this document are true and correct of my own knowledge, or, as to all other matters, I believe them to be true and correct based upon information and belief.

Executed on June 15, 2010, at Sacramento, California, by:

By: 

Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
State Controller's Office

Tab 3

perform the mandated activity. The claimant must give the name of the contractor, explain the reason for having to hire a contractor, describe the mandated activities performed, give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the Parameters and Guidelines for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.

(h) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the Parameters and Guidelines for the particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must explain the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the prorata portion of the rental costs can be claimed.

(i) Capital Outlay

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the Parameters and Guidelines specify them as allowable. If they are allowable, the claiming instructions for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the prorata portion of the purchase price used to implement the reimbursable activities can be claimed.

(j) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the Parameters and Guidelines may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must explain the purpose of the trip, identify the name and address of the persons incurring the expense, the date and time of departure and return for the trip, description of each expense claimed, the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking with receipts required for charges over \$10.00.

(k) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services and facilities. As noted previously, in order for a cost to be allowable, it must be allocable to a particular cost objective. With respect to indirect costs, this requires that the cost be distributed to benefiting cost objectives on bases, which produce an equitable result in relation to the benefits

derived by the mandate.

A community college has the option of using a federally approved rate, utilizing the cost accounting principles from Office of Management and Budget Circular A-21 "Cost Principles for Educational Institutions," or the Controller's methodology outlined in the following paragraphs.

The Controller allows the following methodology for use by community colleges in computing an indirect cost rate for state mandates. The objective of this computation is to determine an equitable rate for use in allocating administrative support to personnel that performed the mandated cost activities claimed by the community college. This methodology assumes that administrative services are provided to all activities of the institution in relation to the direct costs incurred in the performance of those activities. Form FAM-29C has been developed to assist the community college in computing an indirect cost rate for state mandates. Completion of this form consists of three main steps:

1. The elimination of unallowable costs from the expenses reported on the financial statements.
2. The segregation of the adjusted expenses between those incurred for direct and indirect activities.
3. The development of a ratio between the total indirect expenses and the total direct expenses incurred by the community college.

The computation is based on total expenditures as reported in "California Community Colleges Annual Financial and Budget Report, Expenditures by Activity (CCFS-311)." Expenditures classified by activity are segregated by the function they serve. Each function may include expenses for salaries, fringe benefits, supplies, and capital outlay. OMB Circular A-21 requires expenditures for capital outlays to be excluded from the indirect cost rate computation.

Generally, a direct cost is one incurred specifically for one activity, while indirect costs are of a more general nature and are incurred for the benefit of several activities. As previously noted, the objective of this computation is to equitably allocate administrative support costs to personnel that perform mandated cost activities claimed by the community college. For the purpose of this computation we have defined indirect costs to be those costs which provide administrative support to personnel who perform mandated cost activities. We have defined direct costs to be those costs that do not provide administrative support to personnel who perform mandated cost activities and those costs that are directly related to instructional activities of the college. Accounts that should be classified as indirect costs are: Planning, Policy Making and Coordination, Fiscal Operations, Human Resources Management, Management Information Systems, Other General Institutional Support Services, and Logistical Services. If any costs included in these accounts are claimed as a mandated cost, i.e., salaries of employees performing mandated cost activities, the cost should be reclassified as a direct cost. Accounts in the following groups of accounts should be classified as direct costs: Instruction, Instructional Administration, Instructional Support Services, Admissions and Records, Counseling and Guidance, Other Student Services, Operation and Maintenance of Plant, Community Relations, Staff Development, Staff Diversity, Non-instructional Staff-Retirees' Benefits and Retirement Incentives, Community Services, Ancillary Services and Auxiliary Operations. A college may classify a portion of the expenses reported in the account Operation and Maintenance of Plant as indirect. The claimant has the option of using a 7% or a higher indirect cost percentage if the college can support its allocation basis.

The indirect cost rate, derived by determining the ratio of total indirect expenses to total direct expenses when applied to the direct costs claimed, will result in an equitable distribution of the college's mandate related indirect costs. An example of the methodology used to compute an indirect cost rate is presented in Table 4.

Table 4 Indirect Cost Rate for Community Colleges

MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES						FORM FAM-29C
(01) Claimant				(02) Period of Claim		
(03) Expenditures by Activity				(04) Allowable Costs		
Activity	EDP	Total	Adjustments	Total	Indirect	Direct
Subtotal Instruction	599	\$19,590,357	\$1,339,059	\$18,251,298	\$0	\$18,251,298
Instructional Administration and Instructional Governance	6000					
Academic Administration	6010	2,941,386	105,348	2,836,038	0	2,836,038
Course and Curriculum Develop.	6020	21,595	0	21,595	0	21,595
Academic/Faculty Senate	6030					
Other Instructional Administration & Instructional Governance	6090					
Instructional Support Services	6100					
Learning Center	6110	22,737	863	21,874	0	21,874
Library	6120	518,220	2,591	515,629	0	515,629
Media	6130	522,530	115,710	406,820	0	406,820
Museums and Galleries	6140	0	0	0	0	0
Academic Information Systems and Tech.	6150					
Other Instructional Support Services	6190					
Admissions and Records	6200	584,939	12,952	571,987	0	571,987
Counseling and Guidance	6300					
Student Counseling and Guidance	6310					
Matriculation and Student Assessment	6320					
Transfer Programs	6330					
Career Guidance	6340					
Other Student Counseling and Guidance	6390					
Other Student Services	6400					
Disabled Students Programs & Services	6420					
Subtotal		\$24,201,764	\$1,576,523	\$22,625,241	\$0	\$22,625,241

Table 4 Indirect Cost Rate for Community Colleges (continued)

MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES				FORM FAM-29C		
(01) Claimant				(02) Period of Claim		
(03) Expenditures by Activity				(04) Allowable Costs		
Activity	EDP	Total	Adjustments	Total	Indirect	Direct
Extended Opportunity Programs & Services	6430					
Health Services	6440	0	0	0	0	0
Student Personnel Admin.	6450	289,926	12,953	276,973	0	276,973
Financial Aid Administration	6460	391,459	20,724	370,735	0	370,735
Job Placement Services	6470	83,663	0	83,663	0	83,663
Veterans Services	6480	25,427	0	25,427	0	25,427
Miscellaneous Student Services	6490	0	0	0	0	0
Operation & Maintenance of Plant	6500					
Building Maintenance and Repairs	6510	1,079,260	44,039	1,035,221	72,465	962,756
Custodial Services	6530	1,227,668	33,677	1,193,991	83,579	1,110,412
Grounds Maintenance and Repairs	6550	596,257	70,807	525,450	36,782	488,668
Utilities	6570	1,236,305	0	1,236,305	86,541	1,149,764
Other	6590	3,454	3,454	0	0	0
Planning, Policy Making, and Coordination	6600	587,817	22,451	565,366	565,366	0
General Inst. Support Services	6700					
Community Relations	6710	0	0	0	0	0
Fiscal Operations	6720	634,605	17,270	617,335	553,184	(a) 64,151
Human Resources Management	6730					
Noninstructional Staff Benefits & Incentives	6740					
Staff Development	6750					
Staff Diversity	6760					
Logistical Services	6770					
Management Information Systems	6780					
Subtotal		\$30,357,605	\$1,801,898	\$28,555,707	\$1,397,917	\$27,437,157

Table 4 Indirect Cost Rate for Community Colleges (continued)

MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES						FORM FAM-29C	
(01) Claimant				(02) Period of Claim			
(03) Expenditures by Activity				(04) Allowable Costs			
Activity	EDP	Total	Adjustments	Total	Indirect	Direct	
General Inst. Sup. Serv. (cont.)	6700						
Other General Institutional Support Services	6790						
Community Services and Economic Development	6800						
Community Recreation	6810	703,858	20,509	683,349	0	683,349	
Community Service Classes	6820	423,188	24,826	398,362	0	398,362	
Community Use of Facilities	6830	89,877	10,096	79,781	0	79,781	
Economic Development	6840						
Other Community Svcs. & Economic Development	6890						
Ancillary Services	6900						
Bookstores	6910	0	0	0	0	0	
Child Development Center	6920	89,051	1,206	87,845	0	87,845	
Farm Operations	6930	0	0	0	0	0	
Food Services	6940	0	0	0	0	0	
Parking	6950	420,274	6,857	413,417	0	413,417	
Student and Co-curricular Activities	6960	0	0	0	0	0	
Student Housing	6970	0	0	0	0	0	
Other	6990	0	0	0	0	0	
Auxiliary Operations	7000						
Contract Education	7010	1,124,557	12,401	1,112,156	0	1,112,156	
Other Auxiliary Operations	7090	0	0	0	0	0	
Physical Property Acquisitions	7100	814,318	814,318	0	0	0	
(05) Total		\$34,022,728	\$2,692,111	\$31,330,617	\$1,397,917	\$30,212,067	
(06) Indirect Cost Rate: (Total Indirect Cost/Total Direct Cost)				4.63%			
(07) Notes							
(a) Mandated Cost activities designated as direct costs per claim instructions.							
(b) 7% of Operation and Maintenance of Plant costs are shown as indirect in accordance with claiming instructions.							

9. Time Study Guidelines

Background

For costs incurred on or after January 1, 2005, a reasonable reimbursement methodology can be used as a "formula for reimbursing local agency and school district costs mandated by the state" that meets certain conditions specified in GC Section 17518.5(a). For costs incurred prior to January 1, 2005, time study can only substitute for continuous records of actual time spent for a specific fiscal year if the program's Parameters and Guidelines (Ps & Gs) allow the use of time studies.

Two methods are acceptable for documenting employee time charged to mandated cost programs: Actual Time Reporting and Time Study, which are described below. Application of time study results is restricted. As explained in Time Study Results below, the results may be projected forward a maximum of two years provided the claimant meets certain criteria.

Actual Time Reporting

The Ps & Gs define reimbursable activities for each mandated cost program. (Some Ps & Gs refer to reimbursable activities as reimbursable components.) When employees work on multiple activities and/or programs, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards (which clarify documentation requirements discussed under the Reimbursable Activities section of recent Ps & Gs):

- They must reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;
- They must account for the total activity for which each employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Budget estimates or other distribution percentages determined before services are performed do not qualify as support for time distribution.

Time Study

In certain cases, a time study may be used to substitute for continuous records of actual time spent on multiple activities and/or programs. An effective time study requires that an activity be a task that is repetitive in nature. Activities that require a varying level of effort are not appropriate for time studies.

Time Study Plan

A time study plan is necessary before conducting the time study. The claimant must retain the time study plan for audit purposes. The plan needs to identify the following:

- Time period(s) to be studied – The plan must show that all time periods selected are representative of the fiscal year, and that the results can be reasonably projected to approximate actual costs.
- Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program's Ps & Gs, which are derived from the program's Statement of Decision. If a reimbursable activity in the Ps &

Tab 4

invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.

(h) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the P's & G's for the particular mandate. Equipment rentals used solely for the mandate is reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must explain the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the pro rata portion of the rental costs can be claimed.

(i) Capital Outlay

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the P's & G's specify them as allowable. If they are allowable, the parameters and guidelines for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the purchase price used to implement the reimbursable activities can be claimed.

(j) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the P's & G's may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must explain the purpose of the trip, identify the name and address of the persons incurring the expense, the date and time of departure and return for the trip, description of each expense claimed, the cost of transportation, number of private auto miles traveled, and the cost of tolls and parking with receipts required for charges over \$10.00.

(k) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services and facilities. To be allowable, a cost must be allocable to a particular cost objective. Indirect costs must be distributed to benefiting cost objectives on bases which produce an equitable result related to the benefits derived by the mandate.

A CCD may claim indirect costs using the Controller's methodology (FAM-29C) outlined in the following paragraphs. If specifically allowed by a mandated program's P's & G's, a district may alternately choose to claim indirect costs using either (1) a federally approved rate prepared in

accordance with Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*; or (2) a flat 7% rate.

The SCO developed FAM-29C to be consistent with OMB Circular A-21, cost accounting principles as they apply to mandated cost programs. The objective is to determine an equitable rate to allocate administrative support to personnel who performed the mandated cost activities. The FAM-29C methodology uses a direct cost base comprised of salary and benefit costs and operating expenses. Form FAM-29C provides a consistent indirect cost rate methodology for all CCD's mandated cost programs.

FAM-29C uses total expenditures that districts report in their *California Community Colleges Annual Financial and Budget Report (CCFS-311)*, Expenditures by Activity for the General Fund – Combined. The computation excludes Capital Outlay and Other Outgo in accordance with OMB Circular A-21. The indirect cost rate computation includes any depreciation or use allowance applicable to district buildings and equipment. Districts calculate depreciation or use allowance costs separately from the CCFS-311 report and should calculate them in accordance with OMB Circular A-21.

OMB Circular A-21, Section C.4, states that cost is allocable to a particular cost objective in accordance with the relative benefits received. Also, Section E.2.b. states that the overall objective of the cost allocation process is to distribute indirect costs to the institution's major functions in proportions reasonably consistent with their use of the institution's resources. In addition, Section E.2.c. notes that where certain items or categories of expense relate to less than all functions, such expenses should be set aside for selective allocation.

OMB Circular A-21, Section H, describes a simplified method for indirect cost rate calculations. However, Section H.1.b. states that the simplified method should not be used where it produces results that appear inequitable. As previously noted, FAM-29C strives to equitably allocate administrative support costs to personnel that perform mandated cost activities claimed by CCD. For example, library costs and department administration expenses, normally classified fully or partly as indirect costs in OMB Circular A-21, are instead classified as direct costs for FAM-29C. These costs do not benefit mandated cost activities. In summary, FAM-29C indirect costs include Operation and Maintenance of Plant; Planning, Policy Making, and Coordination; General Institutional Support Services (excluding Community Relations); and depreciation or use allowance. Community Relations includes fundraising costs, which are unallowable under OMB Circular A-21. If the district claims any costs from these indirect accounts as a direct mandate-related costs, the same costs should be reclassified as direct on FAM-29C.

Table 4 presents an example of the FAM-29C methodology.

Table 4: Indirect Cost Rate for Community Colleges

		MANDATED COST				FORM
		INDIRECT COST RATE FOR COMMUNITY COLLEGE DISTRICTS				FAM 29-C
(1) Claimant	(02) Period of Claim					
Activity	EDP	Total Costs Per CCFS-311	Less: Capital Outlay and Other Outgo	FAM 29-C Adjusted Total	Indirect	Direct
Instructional Activities	599	\$ 51,792,408	\$ (230,904)	\$ 51,561,504		\$ 51,561,504
Instruct. Admin. & Instruct. Governance	6000	6,882,034	(216,518)	6,665,516		6,665,516
Instructional Support Services	6100	4,155,095	(9,348)	4,145,747		4,145,747
Admissions and Records	6200	2,104,543	(3,824)	2,100,719		2,100,719
Student Counseling and Guidance	6300	4,570,658	(1,605)	4,569,053		4,569,053
Other Student Services	6400	5,426,510	(41,046)	5,385,464		5,385,464
Operation and Maintenance of Plant	6500	8,528,585	(111,743)	8,416,842	8,416,842	-
Planning, Policy Making, and Coordination	6600	5,015,333	(23,660)	4,991,673	4,991,673	-
General Institutional Support Services	6700			-		-
Community Relations	6710	885,089	(6,091)	878,998		878,998
Fiscal Operations	6720	1,891,424	(40,854)	1,850,570	1,850,570	-
Human Resources Management	6730	1,378,288	(25,899)	1,352,389	1,352,389	-
Non-instructional Staff Retirees' Benefits and Retirement Incentives	6740	1,011,060		1,011,060	1,011,060	-
Staff Development	6750	108,655	(8,782)	99,873	99,873	-
Staff Diversity	6760	30,125		30,125	30,125	-
Logistical Services	6770	2,790,091	(244,746)	2,545,345	2,545,345	-
Management Information Systems	6780	2,595,214	(496,861)	2,098,353	2,098,353	-
Other General Institutional Support Services	6790	33,155	(4,435)	28,720	28,720	-
Community Services and Economic Development	6800	340,014		340,014		340,014
Ancillary Services	6900	1,148,730	(296)	1,148,434		1,148,434
Auxiliary Operations	7000			-		-
Depreciation or Use Allowance - Building				-	2,620,741	-
Depreciation or Use Allowance - Equipment				-	1,706,396	-
Totals		\$100,687,011	\$ (1,466,612)	\$ 99,220,399	\$26,752,087	\$ 76,795,449
Indirect Cost Rate (A)/(B)					(A)	(B)
					34.84%	

Tab 5

HEALTH FEE ELIMINATION

1. Summary of Chapters 1/84, 2nd E.S., and Chapter 1118/87

Chapter 1, Statutes of 1984, 2nd E.S., repealed Education Code § 72246 which authorized community college districts to charge a fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. The statute also required community college districts that charged a fee in the 1983/84 fiscal year to maintain that level of health services in the 1984/85 fiscal year and each fiscal year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community college districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987 amended Education Code § 72246 to require any community college district that provided health services in the 1986/87 fiscal year to maintain health services at that level in the 1986/87 fiscal year and each fiscal year thereafter. Chapter 8, Statutes of 1993, has revised the numbering of § 72246 to § 76355.

2. Eligible Claimants

Any community college district incurring increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

To determine if current funding is available for this program, refer to the schedule "Appropriations for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in mid-September of each year to community college presidents.

4. Types of Claims

A. Reimbursement and Estimated Claims

A claimant may file a reimbursement claim and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

Section 17564(a), Government Code, provides that no claim shall be filed pursuant to Section 17561 unless such a claim exceeds \$200 per program per fiscal year.

5. Filing Deadline

- (1) Refer to item 3 "Appropriations" to determine if the program is funded for the current fiscal year. If funding is available, an estimated claim must be filed with the State Controller's Office and postmarked by November 30, of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30, of the following fiscal year regardless whether the payment was more or less than the actual costs. If the local agency fails to file a reimbursement claim, monies received must be returned to the State. If no estimated claim was filed, the local agency may file a reimbursement

claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. (See item 3 above).

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed for health service costs at the level of service provided in the 1986/87 fiscal year. The reimbursement will be reduced by the amount of student health fees authorized per the Education Code § 76355.

After January 1, 1993, pursuant to Chapter 8, Statutes of 1993, the fees students were required to pay for health supervision and services were not more than:

\$10.00 per semester

\$5.00 for summer school

\$5.00 for each quarter

Beginning with the summer of 1997, the fees are:

\$11.00 per semester

\$8.00 for summer school or

\$8.00 for each quarter

The district may increase fees by the same percentage increase as the Implicit Price Deflator (IPD) for the state and local government purchase of goods and services. Whenever the IPD calculates an increase of one dollar (\$1) above the existing amount, the fees may be increased by one dollar (\$1).

7. Reimbursement Limitations

- A. If the level at which health services were provided during the fiscal year of reimbursement is less than the level of health services that were provided in the 1986/87 fiscal year, no reimbursement is forthcoming.
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. federal, state grants, foundations, etc.) as a result of this mandate, shall be identified and deducted so only net local costs are claimed.

8. Claiming Forms and Instructions

The diagram "Illustration of Claim Forms" provides a graphical presentation of forms required to be filed with a claim. A claimant may submit a computer generated report in substitution for forms HFE-1.0, HFE-1.1, and form HFE-2 provided the format of the report and data fields contained within the report are identical to the claim forms included in these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated and reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

A. Form HFE- 2, Health Services

This form is used to list the health services the community college provided during the 1986/87 fiscal year and the fiscal year of the reimbursement claim.

B. Form HFE-1.1, Claim Summary

This form is used to compute the allowable increased costs an individual college of the community college district has incurred to comply with the state mandate. The level of health services reported on this form must be supported by official financial records of the community college district. A copy of the document must be submitted with the claim. The amount shown on line (13) of this form is carried to form HFE-1.0.

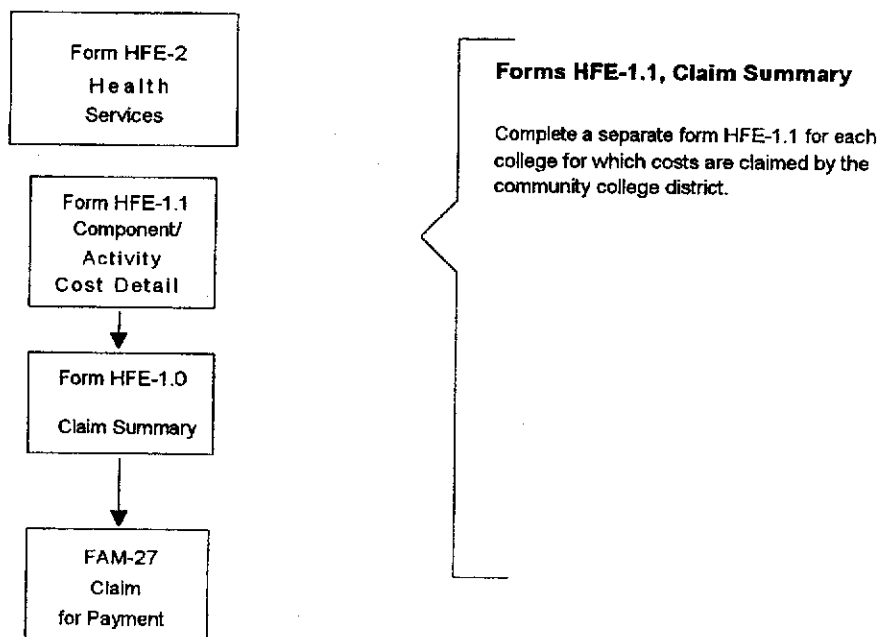
C. Form HFE-1.0, Claim Summary

This form is used to list the individual colleges that had increased costs due to the state mandate and to compute a total claimable cost for the district. The "Total Amount Claimed", line (04) on this form is carried forward to form FAM-27, line 13, for the reimbursement claim, or line (07) for the estimated claim.

D. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized representative of the local agency. All applicable information from form HFE-1.0 and HFE 1.1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

Illustration of Claim Forms



CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 HEALTH FEE ELIMINATION	For State Controller Use Only (19) Program Number 00234 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program 234
--	---	---------------------------

L
A
B
E
L

H
E
R
E

(01) Claimant Identification Number	Reimbursement Claim Data	
(02) Claimant Name	(22) HFE-1.0, (04)(b)	
County of Location	(23)	
Street Address or P.O. Box Suite	(24)	
City State Zip Code	(25)	

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
			(29)
Fiscal Year of Cost	(06) 20 ___/___ /20 ___	(12) 20 ___/___ /20 ___	(30)
Total Claimed Amount	(07)	(13)	(31)
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(32)
Less: Prior Claim Payment Received		(15)	(33)
Net Claimed Amount		(16)	(34)
Due from State	(08)	(17)	(35)
Due to State		(18)	(36)

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Section 17561, I certify that I am the officer authorized by the community college district to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein, and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts for this Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer _____ Date _____

 Type or Print Name _____ Title _____

(38) Name of Contact Person for Claim _____ Telephone Number () - Ext. _____

 E-Mail Address _____

Program 234	HEALTH FEE ELIMINATION Certification Claim Form Instructions	FORM FAM-27
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- (01) Enter the payee number assigned by the State Controller's Office.
- (02) Enter your Official Name, County of Location, Street or P. O. Box address, City, State, and Zip Code.
- (03) If filing an estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) Leave blank.
- (05) If filing an amended estimated claim, enter an "X" in the box on line (05) Amended.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of the estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form HFE-1.1 and enter the amount from line (13).
- (08) Enter the same amount as shown on line (07).
- (09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) Leave blank.
- (11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of the reimbursement claim from form HFE-1.1, line (13). The total claimed amount must exceed \$1,000.
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs are incurred or the claims shall be reduced by a late penalty. Enter zero if the claim was timely filed, otherwise, enter the product of multiplying line (13) by the factor 0.10 (10% penalty), or \$1,000, whichever is less.
- (15) If filing an actual reimbursement claim and an estimated claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.
- (18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., HFE-1.0, (04)(b), means the information is located on form HFE-1.0, block (04), column (b). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. **Completion of this data block will expedite the payment process.**
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. **Claims cannot be paid unless accompanied by an original signed certification. (To expedite the payment process, please sign the form FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)**
- (38) Enter the name, telephone number, and e-mail address of the person whom this office should contact if additional information is required.

Claims should be rounded to the nearest dollar. Submit a signed original and a copy of form FAM-27, Claim for Payment, and all other forms and supporting documents. **(To expedite the payment process, please sign the form in blue ink, and attach a copy of the form FAM-27 to the top of the claim package.)** Use the following mailing addresses:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 P.O. Box 942850
 Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 3301 C Street, Suite 500
 Sacramento, CA 95816

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY	FORM HFE-1.0
--	-------------------------

(01) Claimant	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 19__/19__
---------------	--	--------------------------

(03) List all the colleges of the community college district identified in form HFE-1.1, line (03)

	(a) Name of College	(b) Claimed Amount
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		

(04) Total Amount Claimed	[Line (3.1b) + line (3.2b) + line (3.3b) + ...line (3.21b)]
----------------------------------	---

HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions	FORM HFE-1.0
--	-------------------------

(01) Enter the name of the claimant. Only a community college district may file a claim with the State Controller's Office on behalf of its colleges.

(02) Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year for which the expenses were/are to be incurred. A separate claim must be filed for each fiscal year.

Form HFE-1.0 must be filed for a reimbursement claim. Do not complete form HFE-1.0 if you are filing an estimated claim and the estimate is not more than 110% of the previous fiscal year's actual costs. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, forms HFE-1.0 and HFE-1.1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.

(03) List all the colleges of the community college district which have increased costs. A separate form HFE-1.1 must be completed for each college showing how costs were derived.

(04) Enter the total claimed amount of all colleges by adding the Claimed Amount, line (3.1b) + line (3.2b) ...+ (3.21b).

Program <b style="font-size: 2em;">234	MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY	FORM HFE-1.1
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(01)	Claimant	(02)	Type of Claim Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year	20__/20__
------	----------	------	---	-------------	-----------

(03) Name of College

(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1986-87 fiscal year. If the "Less" box is checked, **STOP**, do not complete the form. No reimbursement is allowed.

LESS SAME MORE

	Direct Cost	Indirect Cost	Total
(05) Cost of health services for the fiscal year of claim			
(06) Cost of providing current fiscal year health services in excess of 1986-87			
(07) Cost of providing current fiscal year health services at 1986-87 level [Line (05) - line (06)]			

(08) Complete columns (a) through (g) to provide detail data for health fees

Collection Period	(a) Number of Students Enrolled	(b) Students Exempt per EC 76355(c)(1)	(c) Students Exempt per EC 76355(c)(2)	(d) Students Exempt per EC 76355(c)(3)	(e) Number of Students Subject to Health Fee (a)-(b)-(-c)-(d)	(f) Unit Cost Per Student Per EC 76355	(g) Student Health Fees (e) x (f)
1. Per Fall Semester							
2. Per Spring Semester							
3. Per Summer Session							
4. Per First Quarter							
5. Per Second Quarter							
6. Per third Quarter							

(09) Total health fee that could have been collected: The sum of (Line (08)(1)(c) through line (08)(6)(c))

(10) Subtotal [Line (07) - line (09)]

Cost Reduction

(11) Less: Offsetting Savings

(12) Less: Other Reimbursements

(13) Total Claimed Amount [Line (10) - (line (11) + line (12))]

Program 234	HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions	FORM HFE-1.1
------------------------------	--	-------------------------------

- (01) Enter the name of the claimant. Only a community college district may file a claim with the State Controller's Office (SCO) on behalf of its colleges.
- (02) Type of Claim. Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.
- Form HFE-1.1 must be filed for a reimbursement claim. Do not complete form HFE-1.1 if you are filing an estimated claim and the estimate does not exceed the previous fiscal year's actual costs by more than 10%. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form HFE-1.1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Enter the name of the college or community college district that provided student health services in the 1986-87 fiscal year and continue to provide the same services during the fiscal year of claim.
- (04) Compare the level of services provided during the fiscal year of reimbursement to the 1986-87 fiscal year and indicate the result by marking a check in the appropriate box. If the "Less" box is checked, STOP and do not complete the remaining part of this claim form. No reimbursement is forthcoming.
- (05) Enter the direct cost, indirect cost, and total cost of health services for the fiscal year of claim on line (05). Direct cost of health services is identified on the college expenditure report authorized by Education Code §76355 and included in the Community College Annual Financial and Budget Report CCFS-311, EDP Code 6440, column 5. If the amount of direct costs claimed is different than that shown on the expenditure report, provide a schedule listing those community college costs that are in addition to, or a reduction to expenditures shown on the report. For claiming indirect costs, college districts have the option of using a federally approved rate from the Office of Management and Budget Circular A-21, form FAM-29C, or a 7% indirect cost rate.
- (06) Enter the direct cost, indirect cost, and total cost of health services that are in excess of the level provided in the 1986-87 fiscal year.
- (07) Enter the difference of the cost of health services for the fiscal year of claim, line (05) and the cost of providing current fiscal year services that are in excess of the level provided in the 1986-87 fiscal year line (06).
- (08) Complete columns (a) through (g) to provide details on the number of students enrolled, the number of students exempt per EC Section 76355(c)(1), (2), and (3), and the amount of health service fees that could have been collected. After 05/01/01, the student fees for health supervision and services are \$12.00 per semester, \$9.00 for summer school, and \$9 for each quarter.
- (09) Enter the sum of student health fees that could have been collected, other than exempt students.
- (10) Enter the difference of the cost of providing health services at the 1986-87 level, line (07) and the total health fee that could have been collected, line (09). If line (09) is greater than line (07), no claim shall be filed.
- (11) Enter the total savings experienced by the school identified in line (03) as a direct cost of this mandate. Submit a detailed schedule of savings with the claim.
- (12) Enter the total of other reimbursements received from any source, (i.e., federal, other state programs, etc.) Submit a detailed schedule of reimbursements with the claim.
- (13) Subtract the sum of Offsetting Savings, line (11), and Other Reimbursements, line (12), from Total 1986-87 Health Service Cost excluding Student Health Fees.

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		FORM HFE-2	
(01) Claimant:		(02) Fiscal Year costs were incurred:	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
Accident Reports Appointments College Physician, surgeon Dermatology, family practice Internal Medicine Outside Physician Dental Services Outside Labs, (X-ray, etc.) Psychologist, full services Cancel/Change Appointments Registered Nurse Check Appointments Assessment, Intervention and Counseling Birth Control Lab Reports Nutrition Test Results, office Venereal Disease Communicable Disease Upper Respiratory Infection Eyes, Nose and Throat Eye/Vision Dermatology/Allergy Gynecology/Pregnancy Service Neuralgic Orthopedic Genito/Urinary Dental Gastro-Intestinal Stress Counseling Crisis Intervention Child Abuse Reporting and Counseling Substance Abuse Identification and Counseling Acquired Immune Deficiency Syndrome Eating Disorders Weight Control Personal Hygiene Burnout Other Medical Problems, list Examinations, minor illnesses Recheck Minor Injury Health Talks or Fairs, Information Sexually Transmitted Disease Drugs Acquired Immune Deficiency Syndrome			

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		FORM HFE-2	
(01) Claimant:		(02) Fiscal Year costs were incurred:	
(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
Child Abuse Birth Control/Family Planning Stop Smoking Library, Videos and Cassettes First Aid, Major Emergencies First Aid, Minor Emergencies First Aid Kits, Filled Immunizations Diphtheria/Tetanus Measles/Rubella Influenza Information Insurance On Campus Accident Voluntary Insurance Inquiry/Claim Administration Laboratory Tests Done Inquiry/Interpretation Pap Smears Physical Examinations Employees Students Athletes Medications Antacids Antidiarrheal Aspirin, Tylenol, Etc Skin Rash Preparations Eye Drops Ear Drops Toothache, oil cloves Stingkill Midol, Menstrual Cramps Other, list Parking Cards/Elevator Keys Tokens Return Card/Key Parking Inquiry Elevator Passes Temporary Handicapped Parking Permits			

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		FORM HFE-2	
(01) Claimant:	(02) Fiscal Year costs were incurred:		
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
Referrals to Outside Agencies Private Medical Doctor Health Department Clinic Dental Counseling Centers Crisis Centers Transitional Living Facilities, battered/homeless women Family Planning Facilities Other Health Agencies			
Tests Blood Pressure Hearing Tuberculosis Reading Information Vision Glucometer Urinalysis Hemoglobin EKG Strep A testing PG Testing Monospot Hemacult Others, list			
Miscellaneous Absence Excuses/PE Waiver Allergy Injections Band-aids Booklets/Pamphlets Dressing Change Rest Suture Removal Temperature Weigh Information Report/Form Wart Removal Others, list			
Committees Safety Environmental Disaster Planning			

Tab 6

Hearing: 5/25/89
File Number: CSM-4206
Staff: Deborah Fraga-Decker
WP 0366d

PROPOSED PARAMETERS AND GUIDELINES AMENDMENTS
Chapter 1, Statutes of 1984, 2nd E.S.
Chapter 1118, Statutes of 1987
Health Fee Elimination

Executive Summary

At its hearing of November 20, 1986, the Commission on State Mandates found that Chapter 1, Statutes of 1984, 2nd E.S., imposed state mandated costs upon local community college districts by (1) requiring those community college districts which provided health services for which it was authorized to and did charge a fee to maintain such health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter and (2) repealing the district's authority to charge a health fee. The requirements of this statute would repeal on December 31, 1987, unless subsequent legislation was enacted.

Chapter 1118, Statutes of 1987, was enacted September 24, 1987, and became effective January 1, 1988. Chapter 1118/87 modified the requirements contained in Chapter 1/84, 2nd E.S., to require those community college districts which provided health services in fiscal year 1986-87 to maintain such health services in the 1987-88 fiscal year and each fiscal year thereafter. Additionally, the language contained in Chapter 1/84, 2nd E.S., which repealed the districts' authority to charge a health fee to cover the costs of the health services program was allowed to sunset, thereby reinstating the districts' authority to charge a fee as specified. Parameters and guidelines amendments are appropriate to address the changes contained in Chapter 1118/87 because this statute amended the same Education Code sections previously enacted by Chapter 1/84, 2nd E.S., and found to contain a mandate.

Commission staff included the Department of Finance suggested non-substantive amendment to the staff's proposed parameters and guidelines amendments. The Chancellor's Office, the State Controller's Office, and the claimant are in agreement with these amendments. Therefore, staff recommends that the Commission adopt the parameters and guidelines amendments as requested by the Chancellor's Office and as developed by staff.

Claimant

Rio Hondo Community College District

Requesting Party

California Community Colleges Chancellor's Office

Chronology

12/2/85 Test Claim filed with Commission on State Mandates.
7/24/86 Test Claim continued at claimant's request.
11/20/86 Commission approved mandate.
1/22/87 Commission adopted Statement of Decision.
4/9/87 Claimant submitted proposed parameters and guidelines.
8/27/87 Commission adopted parameters and guidelines
10/22/87 Commission adopted cost estimate
9/28/88 Mandate funded in Commission's Claims Bill, Chapter 1425/88.

Summary of Mandate

Chapter 1/84, 2nd E.S., effective July 1, 1984, repealed Education Code (EC) Section 72246 which had authorized community college districts to charge a health fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. The statute also required that any community college district which provided health services for which it was authorized to charge a fee shall maintain health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter.

Prior to the passage of Chapter 1/84, 2nd E.S., the implementation of a health services program was at the local community college district's option. If implemented, the respective community college district had the authority to charge a health fee up to \$7.50 per semester for day and evening students, and \$5 per summer session.

Proposed Amendments

The Community Colleges Chancellor's Office (Chancellor's Office) has requested parameters and guidelines amendments be made to address the changes in mandated activities effectuated by Chapter 1118/87. (Attachment G) In order to expedite the process, staff has developed language to accomplish the following: (1) change the eligible claimants to those community college districts which provided a health services program in fiscal year 1986-87; and (2) change the offsetting savings and other reimbursements to include the reinstated authority to charge a health fee. (Attachment B)

Recommendations

The Department of Finance (DOF) proposed one non-substantive amendment to clarify the effect of the fee authority language on the scope of the reimbursable costs. With this amendment, the DOF believes the amendments to the parameters and guidelines are appropriate for this mandate and recommends the Commission adopt them. (Attachment C)

The Chancellor's Office recommends that the Commission approve the amended parameters and guidelines developed by staff with the additional language suggested by the DOF. (Attachment D)

The State Controller's Office (SCO), upon review of the proposed amendments, finds the proposals proper and acceptable. (Attachment E)

The claimant, in its recommendation, states its belief that the revisions are appropriate and concurs with the proposed changes. (Attachment F)

Staff Analysis

Issue 1: Eligible Claimants

The mandate found in Chapter 1/84, 2nd E.S., was for a new program with a required maintenance of effort at the fiscal year 1983-84 level. Chapter 1118/87 superseded that level of service by requiring that community college districts which provided a health services program in fiscal year 1986-87 maintain that level of effort in fiscal year 1987-88 and each subsequent year thereafter. Additionally, this expanded the group of eligible claimants because the requirement is no longer imposed on only those community college districts which had charged a health fee for the program. At the time of enactment of Chapter 1118/87, there were 11 community college districts which provided the health services program but had never charged a health fee for the service.

Therefore, staff has amended the language in Item III. "Eligible Claimants" to reflect this change in the scope of the mandate.

Issue 2: Reimbursement Alternatives

In response to Chapter 1/84, 2nd E.S., Item VI.B. contained two alternatives for claiming reimbursement costs. This gave claimants a choice between claiming actual costs for providing the health services program, or funding the program as was done prior to the mandate when a health fee could be charged.

The first alternative was in Item VI.B.1. and provided for the use of the formula which the eligible claimants were authorized to utilize prior to the implementation of Chapter 1/84, 2nd E.S.--total eligible enrollment multiplied by the health fee charged per student in fiscal year 1983-84. With the sunset of the repeal of the health fee authority as contained in Chapter 1/84, 2nd E.S., claimants can now charge the health fee as was allowed prior to fiscal year 1983-84, thereby funding the program as was done prior to the mandate. Therefore, this alternative is no longer applicable to this mandate and has been deleted by staff.

The second alternative was in Item VI.B.2. and provided for the claiming of actual costs involved in maintaining a health services program at the fiscal year 1983-84 level. This alternative is now the sole method of reimbursement for this mandate. However, it has been amended to reflect that Chapter 1118/87 requires a maintenance of effort at the fiscal year 1986-87 level.

Issue 3: Offsetting Savings and Other Reimbursements

With the sunset of the repeal of the fee authority contained in Chapter 1/84, 2nd E.S., Education Code (EC) section 72246(a) again provides community college districts with the authority to charge a health fee as follows:

"72246.(a) The governing board of a district maintaining a community college may require community college students to pay a fee in the total amount of not more than seven dollars and fifty cents (\$7.50) for each semester, and five dollars (\$5) for summer school, or five dollars (\$5) for each quarter for health supervision and services, including direct or indirect medical and hospitalization services, or the operation of a student health center or centers, authorized by Section 72244, or both."

Staff amended Item "VIII. Offsetting Savings and Other Reimbursements" to reflect the reinstatement of this fee authority.

In response to that amendment, the DOF has proposed the addition of the following language to Item VIII. to clarify the impact of the fee authority on claimants' reimbursable costs:

"If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied."

Staff concurs with the DOF proposed language which does not substantively change the scope of Item VIII.

Issue 4: Editorial Changes

In preparing the proposed parameters and guidelines amendments, it was not necessary for staff to make any of the normal editorial changes as the original parameters and guidelines contained the language usually adopted by the commission.

Staff, the DOF, the Chancellor's Office, the SCO, and the claimant are in agreement with the recommended amendments which are shown in Attachment A with additions indicated by underlining and deletions by strikeout.

Staff Recommendation

Staff recommends the adoption of the staff's proposed parameters and guidelines amendments, which are based on the original parameters and guidelines adopted in response to Chapter 1/84, 2nd E.S., and amended in response to Chapter 1118/87, as well as incorporating the amendment recommended by the DOF. All parties concur with these amendments.

PARAMETERS AND GUIDELINES
Chapter 1118, Statutes of 1987, 2nd E.S.
Health Fee Elimination

I. SUMMARY OF MANDATE

Chapter 1, Statutes of 1984, 2nd E.S. repealed Education Code Section 72246 which had authorized community college districts to charge a health fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. This statute also required that health services for which a community college district charged a fee during the 1983-84 fiscal year had to be maintained at that level in the 1984-85 fiscal year and every year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community colleges districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 to require any community college district that provided health services in 1986-87 to maintain health services at the level provided during the 1986-87 fiscal year in 1987-88 and each fiscal year thereafter.

II. COMMISSION ON STATE MANDATES' DECISION

At its hearing on November 20, 1986, the Commission on State Mandates determined that Chapter 1, Statutes of 1984, 2nd E.S. imposed a "new program" upon community college districts by requiring any community college district which provided health services for which it was authorized to charge a fee pursuant to former Section 72246 in the 1983-84 fiscal year to maintain health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter. This maintenance of effort requirement applies to all community college districts which levied a health services fee in the 1983-84 fiscal year, regardless of the extent to which the health services fees collected offset the actual costs of providing health services at the 1983-84 fiscal year level.

At its hearing of April 27, 1989, the Commission determined that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to apply to all community college districts which provided health services in fiscal year 1986-87 and required them to maintain that level in fiscal year 1987-88 and each fiscal year thereafter.

III. ELIGIBLE CLAIMANTS

Community college districts which provided health services for/fees in 1987-88 fiscal year and continue to provide the same services as a result of this mandate are eligible to claim reimbursement of those costs.

IV. PERIOD OF REIMBURSEMENT

Chapter 1, Statutes of 1984, 2nd E.S., became effective July 1, 1984. Section 17557 of the Government Code states that a test claim must be submitted on or before November 30th following a given fiscal year to establish for that fiscal year. The test claim for this mandate was filed on November 27, 1985; therefore, costs incurred on or after July 1, 1984, are reimbursable. Chapter 1118, Statutes of 1987, became effective January 1, 1988. Title 2, California Code of Regulations, section 1185.3(a) states that a parameters and guidelines amendment filed before the deadline for initial claims as specified in the Claiming Instructions shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines; therefore, costs incurred on or after January 1, 1988, for Chapter 1118, Statutes of 1987, are reimbursable.

Actual costs for one fiscal year should be included in each claim. Estimated costs for the subsequent year may be included on the same claim if applicable. Pursuant to Section 17561(d)(3) of the Government Code, all claims for reimbursement of costs shall be submitted within 120 days of notification by the State Controller of the enactment of the claims bill.

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

V. REIMBURSEMENTABLE COSTS

A. Scope of Mandate

Eligible community college districts shall be reimbursed for the costs of providing a health services program ~~without the authority to levy a fee~~. Only services provided ~~for fee~~ in 1986-87 fiscal year may be claimed.

B. Reimbursable Activities

For each eligible claimant, the following cost items are reimbursable to the extent they were provided by the community college district in fiscal year ~~1983-84~~ 1986-87:

ACCIDENT REPORTS

APPOINTMENTS

- College Physician - Surgeon
 - Dermatology, Family Practice, Internal Medicine
- Outside Physician
- Dental Services
- Outside Labs (X-ray, etc.)
- Psychologist, full services
- Cancel/Change Appointments
- R.N.
- Check Appointments

ASSESSMENT, INTERVENTION & COUNSELING

- Birth Control
- Lab Reports
- Nutrition
- Test Results (office)
- VD
- Other Medical Problems
- CD
- URI
- ENT
- Eye/Vision
- Derm./Allergy
- Gyn/Pregnancy Services
- Neuro
- Ortho
- GU
- Dental
- GI
- Stress Counseling
- Crisis Intervention
- Child Abuse Reporting and Counseling
- Substance Abuse Identification and Counseling
- Aids
- Eating Disorders
- Weight Control
- Personal Hygiene
- Burnout

EXAMINATIONS (Minor Illnesses)
Recheck Minor Injury

HEALTH TALKS OR FAIRS - INFORMATION

- Sexually Transmitted Disease
- Drugs
- Aids
- Child Abuse
- Birth Control/Family Planning
- Stop Smoking
- Etc.
- Library - videos and cassettes

FIRST AID (Major Emergencies)

FIRST AID (Minor Emergencies)

FIRST AID KITS (Filled)

IMMUNIZATIONS

- Diphtheria/Tetanus
- Measles/Rubella
- Influenza
- Information

INSURANCE

- On Campus Accident
- Voluntary
- Insurance Inquiry/Claim Administration

LABORATORY TESTS DONE
Inquiry/Interpretation
Pap Smears

PHYSICALS
Employees
Students
Athletes

MEDICATIONS (dispensed OTC for misc. illnesses)
Antacids
Antidiarrhial
Antihistamines
Aspirin, Tylenol, etc.
Skin rash preparations
Misc.
Eye drops
Ear drops
Toothache - Oil cloves
Stingkill
Midol - Menstrual Cramps

PARKING CARDS/ELEVATOR KEYS
Tokens
Return card/key
Parking inquiry
Elevator passes
Temporary handicapped parking permits

REFERRALS TO OUTSIDE AGENCIES
Private Medical Doctor
Health Department
Clinic
Dental
Counseling Centers
Crisis Centers
Transitional Living Facilities (Battered/Homeless Women)
Family Planning Facilities
Other Health Agencies

TESTS
Blood Pressure
Hearing
Tuberculosis
Reading
Information
Vision
Glucometer
Urinalysis
Hemoglobin
E.K.G.
Strep A testing
P.G. testing
Monospot
Hemacult
Misc.

MISCELLANEOUS

Absence Excuses/PE Waiver
Allergy Injections
Band-aids
Booklets/Pamphlets
Dressing Change
Rest
Suture Removal
Temperature
Weigh
Misc.
Information
Report/Form
Wart Removal

COMMITTEES

Safety
Environmental
Disaster Planning

SAFETY DATA SHEETS

Central file

X-RAY SERVICES

COMMUNICABLE DISEASE CONTROL

BODY FAT MEASUREMENTS

MINOR SURGERIES

SELF-ESTEEM GROUPS

MENTAL HEALTH CRISIS

AA GROUP

ADULT CHILDREN OF ALCOHOLICS GROUP

WORKSHOPS

Test Anxiety
Stress Management
Communication Skills
Weight Loss
Assertiveness Skills

VI. CLAIM PREPARATION

Each claim for reimbursement pursuant to this mandate must be timely filed and set forth a list of each item for which reimbursement is claimed under this mandate. // *Each claimant may claim costs under one of two alternatives: // 1. Per amount previously collected per student and enrollment count // or // 2. Actual costs of program*

A. Description of Activity

1. Show the total number of full-time students enrolled per semester/quarter.
2. Show the total number of full-time students enrolled in the summer program.
3. Show the total number of part-time students enrolled per semester/quarter.
4. Show the total number of part-time students enrolled in the summer program.

B. Claiming Alternatives

Claimed costs should be supported by the following information:

Alternative 1 // Fees/Provided/Collected/In/1983-84/Fiscal/Year/

1/ Fees/Collected/In/The/1983-84/Fiscal/Year/To/Support/The/Health/Services/Program/

2/ Total/Number/of/Students/Under/Item/VI/A/Y//Through/4/above//Using/this/alternative//The/Total/Amount/Claimed/Would/Be/Item/VI/B/Y//Multiplied/By/Item/VI/B/2//With/The/Total/Amount/Reimbursed/Increased/By/The/Applicable/Indirect/Provide/Deflator/

Alternative 2 // Actual Costs of Claim Year for Providing 1983-84 Fiscal Year Program Level of Service.

1. Employee Salaries and Benefits

Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

2. Services and Supplies

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

3. Allowable Overhead Cost

Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.

VII. SUPPORTING DATA

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. This would include documentation for the fiscal year 19836-847 program to substantiate a maintenance of effort. These documents must be kept on file by the agency submitting the claim for a period of no less than three years from the date of the final payment of the claim pursuant to this mandate, and made available on the request of the State Controller or his agent.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim. This shall include the amount of \$7.50 per full-time student per semester, \$5.00 per full-time student for summer school, or \$5.00 per full-time student per quarter, as authorized by Education Code section 72246(a). This shall also include payments (fees) now received from individuals other than students who were not covered by former Education Code Section 72246 for health services.

IX. REQUIRED CERTIFICATION

The following certification must accompany the claim:

I DO HEREBY CERTIFY under penalty of perjury:

THAT the foregoing is true and correct;

THAT Section 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with;

and

THAT I am the person authorized by the local agency to file claims for funds with the State of California.

Signature of Authorized Representative

Date

Title

Telephone No.

CHANCELLOR'S OFFICE

GEORGE DEUKERIAN, Governor

CALIFORNIA COMMUNITY COLLEGES

NINTH STREET
SACRAMENTO, CALIFORNIA 95814
(916) 445-8752 445-1163



February 22, 1989



Mr. Robert W. Eich
Executive Director
Commission on State Mandates
1130 "K" Street, Suite LL50
Sacramento, CA 95814-3927

Dear Mr. Eich:

As you know, the Commission on August 27, 1987 adopted Parameters and Guidelines for claiming reimbursements of mandated costs related to community college health services. Fees formerly collected by community colleges had been eliminated by Chapter 1, Statutes of 1984, Second Extraordinary Session. Last year's mandate claims bill (AB 2763) included funding to pay all these claims through 1988-89.

The Governor's partial approval of AB 2763 last September included a stipulation that claims for the current year would be paid this fiscal year, but prior-year claims will be paid in equal installments from the next three budget acts. The Governor did not address the fact that the ongoing costs of providing the mandated level of service will continue to exceed the maximum permissible fee of \$7.50 per student per semester.

On behalf of all eligible community college districts, the Chancellor's Office proposes the following changes in the Parameters and Guidelines:

- o Payment of 1988-89 mandated costs in excess of maximum permissible fees. (This amount is payable from AB 2763.)
- o Payment of all prior-year claims in installments over the next three years. (Funds for these payments will be included in the next 3 budget acts.)
- o Payment of future-years mandated costs in excess of the maximum permissible fees. (No funding has yet been provided for these costs.)

Mr. Eich

2

February 22, 1989

If you have any questions regarding this proposal, please contact Patrick Ryan at (916) 445-1163.

Sincerely,

David Mertes

DAVID MERTES
Chancellor

DM:PR:mh

cc: / Deborah Fraga-Decker, CSM
Douglas Burris
Joseph Newmyer
Gary Cook

State of California

Memorandum

March 22, 1989

To : Deborah Fraga-Decker
Program Analyst
Commission on State Mandates

From : Department of Finance

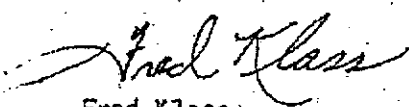
Proposed Amendments to Parameters and Guidelines for Claim No. CSM-4206 -- Chapter 1, Statutes of 1984, 2nd E.S. and Chapter 1118, Statutes of 1987 -- Health Fee Elimination

Pursuant to your request, the Department of Finance has reviewed the proposed amendments to the parameters and guidelines related to community college health services. These amendments, which are requested by the Chancellor's Office, reflect the impact that Chapter 1118/87 has on the original parameters adopted by the Commission for Chapter 1/84 on August 27, 1987. Specifically, Chapter 1118/87:

- (1) requires districts which were providing health services in 1986-87, rather than 1983-84, to continue to provide such services, irrespective of whether or not a fee was charged for the services; and
- (2) allows all districts to again charge a fee of up to \$7.50 per student for the services. In this regard, we would point out that the proposed amendment to "VIII. Offsetting Savings, and Other Reimbursements" could be interpreted to require that, if a district elected not to charge fees it would not have to deduct anything from its claim. We believe that, pursuant to Section 17556 (d) of the Government Code, an amount equal to \$7.50 per student must be deducted whether or not it is actually charged since the district has the authority to levy the fee. We suggest that the following language be added as a second paragraph under "VIII": "If a claimant does not levy the fee authorized by Education Code Section 72246 (a), it shall deduct an amount equal to what it would have received had the fee been levied."

With the amendment described above, we believe the amendments to the parameters and guidelines are appropriate for this mandate and recommend the Commission adopt them at its April 27, 1989, meeting.

Any questions regarding this recommendation should be directed to James M. Apps or Kim Clement of my staff at 324-0043.


Fred Klass
Assistant Program Budget Manager

cc: see second page

cc: Glen Beatie, Stat Controller's Office
Pat Ryan, Chancelor's Office, Community College
Juliet Musso, Legislative Analyst's Office
Richard Frank, Attorney General

LR:1988-2

CHANCELLOR'S OFFICE

GEORGE DEUKMEJIAN, Governor



CALIFORNIA COMMUNITY COLLEGES

1000 NINTH STREET
 SACRAMENTO, CALIFORNIA 95814
 (916) 445-8782 445-1163



April 3, 1989

Mr. Robert W. Eich
 Executive Director
 Commission on State Mandates
 170 K Street, Suite LL50
 Sacramento, CA 95814

Attention: Ms. Deborah Fraga-Decker

Subject: CSM 4206
 Amendments to Parameters and Guidelines
 Chapter 1, Statutes of 1984, 2nd E.S.
 Chapter 118, Statutes of 1987
Health Fee Elimination

Dear Mr. Eich:

In response to your request of March 8, we have reviewed the proposed language changes necessary to amend the existing parameters and guidelines to meet the requirements of Chapter 118, Statutes of 1987.

The Department of Finance has also provided us a copy of their suggestion to add the following language in part VIII: "If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied." This office concurs with their suggestion which is consistent with the law and with our request of February 22.

With the additional language suggested by the Department of Finance, the Chancellor's Office recommends approval of the amended parameters and guidelines as drafted for presentation to the Commission on April 27, 1989.

Sincerely,

DAVID MERTES
 Chancellor

DM:PR:mh

cc: Jim Apps, Department of Finance
 Glen Beatie, State Controller's Office
 Richard Frank, Attorney General's Office
 Juliet Muso, Legislative Analyst's Office
 Douglas Burris
 Joseph Newmyer
 Gary Cook



GRAY DAVIS
Controller of the State of California
P. O. BOX 942850
SACRAMENTO, CA 94250-0001

April 3, 1989

Ms. Deborah Fraga-Decker
Program Analyst
Commission on State Mandates
1130 K Street, Suite LL50
Sacramento, CA 95814



Dear Ms. Fraga-Decker:

RE: Proposed Amendments to Parameters and Guidelines: Chapter 1/84, 2nd
E.S., and Chapter 1118/87 - Health Fee Elimination

We have reviewed the amendments proposed on the above subject and find the
proposals proper and acceptable.

However, the Commission may wish to clarify section "VIII. OFFSETTING SAVINGS
AND OTHER REIMBURSEMENTS" that the required offset is the amount received or
would have received per student in the claim year.

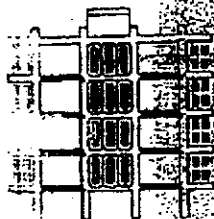
If you have any questions, please call Glen Beatie at 3-8137.

Sincerely,

Glenn Haas, Assistant Chief
Division of Accounting

GH/GB:dvl

SC81822



HR/60

RIO HONDO COMMUNITY COLLEGE DISTRICT
3600 Workman Mill Road • Whittier, CA 90808 • Phone (213) 692-1921



March 16, 1989

Ms. Deborah Fraga-Decker
Program Analyst
Commission on State Mandates
1130 K Street, Suite LL50
Sacramento, CA 95814

REFERENCE: CSM-4206
AMENDMENTS TO PARAMETERS AND GUIDELINES
CHAPTER 1, STATUTES OF 1984, 2ND E.S.
CHAPTER 1118, STATUTES OF 1987
HEALTH FEE ELIMINATION

Dear Deborah:

We have reviewed your letter of March 7 to Chancellor David Mertes and the attached amendments to the health fee parameters and guidelines. We believe these revisions to be most appropriate and concur totally with the changes you have proposed.

I would like to thank you again for your expertise and helpfulness throughout this entire process.

Yours very truly,

Timothy M. Wood
Vice President
Administrative Affairs

TMW:hh

Tab 7

MINUTES

COMMISSION ON STATE MANDATES

May 25, 1989

10:00 a.m.

State Capitol, Room 437
Sacramento, California

Present were: Chairperson Russell Gould, Chief Deputy Director, Department of Finance; Fred R. Buenrostro, Representative of the State Treasurer; D. Robert Shuman, Representative of the State Controller; Robert Martinez, Director, Office of Planning and Research; and Robert C. Creighton, Public Member.

There being a quorum present, Chairperson Gould called the meeting to order at 10:02 a.m.

Item 1 Minutes

Chairperson Gould asked if there were any corrections or additions to the minutes of the Commission's hearing of April 27, 1989. There were no corrections or additions.

The minutes were adopted without objection.

Consent Calendar

The following items were on the Commission's consent agenda:

Item 2 Proposed Statement of Decision
Chapter 406, Statutes of 1988
Special Election - Bridges

Item 3 Proposed Statement of Decision
Chapter 583, Statutes of 1985
Infectious Waste Enforcement

Item 4 Proposed Statement of Decision
Chapter 980, Statutes of 1984
Court Audits

Item 5 Proposed Statement of Decision
Chapter 1286, Statutes of 1985
Homeless Mentally Ill

- Item 6 Proposed Parameters and Guidelines Amendment
Chapter 1, Statutes of 1984, 2nd E.S.
Chapter 1118, Statutes of 1987
Health Fee Elimination
- Item 7 Proposed Parameters and Guidelines Amendment
Chapter 8, Statutes of 1988
Democratic Presidential Delegates
- Item 10 Proposed Statewide Cost Estimate
Chapter 498, Statutes of 1983
Education Code Section 48260.5
Notification of Truancy
- Item 12 Proposed Statewide Cost Estimate
Chapter 1226, Statutes of 1984
Chapter 1526, Statutes of 1985
Investment Reports

There being no discussion or appearances on Items 2, 3, 4, 5, 6, 7, 10, and 12, Member Buenrostro moved adoption of the staff recommendation on these items on the consent calendar. Member Martinez seconded the motion. The vote on the motion was unanimous. The motion carried.

The following items were continued:

- Item 13 Proposed Statewide Cost Estimate
Chapter 1335, Statutes of 1986
Trial Court Delay Reduction Act
- Item 16 Test Claim
Chapter 841, Statutes of 1982
Patients' Rights Advocates
- Item 17 Test Claim
Chapter 921, Statutes of 1987
Countywide Tax Rates

The next item to be heard by the Commission was:

- Item 8 Proposed Parameters and Guidelines Amendment
Chapter 961, Statutes of 1975
Collective Bargaining

The party requesting the proposed amendment, Fountain Valley School District, did not appear at the hearing. Carol Miller, appearing on behalf of the Education Mandated Cost Network, stated that the Network was interested in the issue of reimbursing a school district for the time the district Superintendent spent in, or preparing for, collective bargaining issues.

The Commission then discussed the issue of reimbursing the Superintendent's time as a direct cost to the mandated program or as an indirect cost as required by the federal publications OASC-10, and Federal Management Circular 74-4. Upon conclusion of this discussion, The Commission, staff, and Ms. Miller, agreed that the Commission could deny this proposed amendment by the Fountain Valley School District, and Ms. Miller could assist another district in an attempt to amend the parameters and guidelines to allow reimbursement of the Superintendent's cost relative to collective bargaining matters.

Member Creighton then inquired on the issue of holding collective bargaining sessions outside of normal working hours and the number of teachers the parameters and guidelines reimburse for participating in collective bargaining sessions. Ms. Miller stated that because of the classroom disruption that can result from the use of a substitute teacher, bargaining sessions are sometimes held outside of normal work hours for practical reasons. Ms. Miller also stated that the parameters and guidelines permit reimbursement for five substitute teachers.

Member Martinez moved and Member Buenrostro seconded a motion to adopt the staff recommendation to deny the proposed amendments to the parameters and guidelines. The roll call vote on the motion was unanimous. The motion carried.

Item 9 Proposed Statewide Cost Estimate
Chapter 498, Statutes of 1983
Education Code Section 51225.3
Graduation Requirements

Carol Miller appeared on behalf of the claimant, Santa Barbara Unified School District, Jim Apps and Don Enderton appeared on behalf of the Department of Finance, and Rick Knott appeared on behalf of the San Diego Unified School District.

Carol Miller began the discussion on this matter by stating her objection to the Department of Finance raising issues that were already argued in the parameters and guidelines hearings for this mandate. Based on this objection, Ms. Miller requested that the Commission adopt staff's recommendation and allow the Controller's Office to handle any audit exceptions.

Jim Apps stated that because school districts did not report funds that have been received by them, then the data reported in the survey is suspect. Therefore, the Department of Finance is not convinced that the cost estimate based on the data received by the schools is legitimate.

Discussion continued on the validity of the cost estimate and on the figures presented to the Commission for its consideration.

Member Creighton then made a motion to adopt staff's recommendation. Member Shuman seconded the motion. The vote on the motion was: Member Buenrostro, no; Member Creighton, aye; Member Martinez, no; Member Shuman, aye; and Chairperson Gould, no. The motion failed.

Chairperson Gould made an alternative motion that staff, the Department of Finance, and the school districts, conduct a pre-hearing conference and agree on an estimate to be presented to the Commission at a future hearing. Member Buenrostro seconded the motion. The roll call vote on the motion was unanimous. The motion carried.

Item 11 Statewide Cost Estimate
Chapter 815, Statutes of 1979
Chapter 1327, Statutes of 1984
Chapter 757, Statutes of 1985
Short-Doyle Case Management

Pamela Stone, representing the County of Fresno, stated that the county was in agreement with the staff proposed statewide cost estimate of \$20,000,000 for the 1985-86 through 1989-90 fiscal years, and was opposed to the reduction of the costs estimate being proposed by the Department of Mental Health's late filing.

Lynn Whetstone, representing the Department of Mental Health, stated that the Department agrees with the methodology used by Commission staff to develop the cost estimate, however, the Department questioned the manner in which Commission staff extrapolated its survey figures into a statewide estimate. Ms. Whetstone stated that due to the reasons stated in its late filing, the Department believes that the cost estimate be reduced to \$17,280,000.

Member Shuman moved, and Member Martinez seconded a motion to adopt the staff proposed statewide cost estimate of \$20,000,000 for the 1985-86 through 1989-90 fiscal years. The roll call vote on the motion was unanimous. The motion carried.

Item 14 State Mandates Apportionment System
Request for Review of Base Year Entitlement
Chapter 1242, Statutes of 1977
Senior Citizens' Property Tax Postponement

Leslie Hobson appeared on behalf of the claimant, County of Placer, and stated agreement with the staff analysis.

There were no other appearances and no further discussion.

Member Creighton moved approval of the staff recommendation. Member Shuman seconded the motion. The roll call vote was unanimous. The motion carried.

Item 15 Test Claim
Chapter 670, Statutes of 1987
Assigned Judges

Vicki Wajdak and Pamela Stone appeared on behalf of the claimant, County of Fresno. Beth Mullen appeared on behalf of the Administrative Office of

the Courts. Jim Apps appeared on behalf of the Department of Finance. Allan Burdick appeared on behalf of the County Supervisors Association of California. Pamela Stone restated the claimant's position that the revenue losses due to this statute were actually increased costs because Fresno is now required to compensate its part-time justice court judges for work performed for another county while on assignment. Beth Mullen stated her opposition to this interpretation because Fresno's part-time justice court judge cannot be assigned elsewhere until all work required to be performed for Fresno has been completed; therefore, Fresno is only required to compensate the judge for its own work.

There followed discussion by the parties and the Commission regarding the applicability of the Supreme Court's decisions in County of Los Angeles and Lucia Mar. Chairperson Gould asked Commission Counsel Gary Hori whether this statute imposed a new program and higher level of service as contemplated by these two decisions. Mr. Hori stated that it did meet the definition of new program and higher level of service as contemplated by the Supreme Court.

Member Creighton moved to adopt the staff recommendation to find a mandate on counties whose part-time justice court judge is assigned within the home county. Member Shuman seconded the motion. The roll call vote was unanimous. The motion carried.

Item 18 Test Claim
Chapter 1247, Statutes of 1977
Chapter 797, Statutes of 1980
Chapter 1373, Statutes of 1980
Public Law 99-372
Attorney's Fees - Special Education

Chairperson Gould recused himself from the hearing on this item.

Clayton Parker, representing the Newport-Mesa Unified School District, submitted a late filing on the test claim rebutting the staff analysis. Member Creighton stated that he had not had an opportunity to review the late filing and inquired on whether the claim should be heard at this hearing. Staff informed Member Creighton and Member Buenrostro that in reviewing the filing before this item was called, the filing appeared to be summary of the claimant's position on the staff analysis, and that there appeared to be no reason to continue the item.

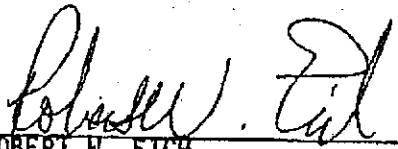
Mr. Parker stated that Commission staff had misstated the events that resulted in the claimant having to pay attorneys' fees to a pupil's guardians, and because of case law, courts do not have any discretion in awarding attorney's fees. Mr. Parker stated that because state legislation has codified the federal Education of the Handicapped Act, school districts are subject to the provisions of Public Law 94-142 and Public Law 99-372. Member Buenrostro then inquired whether staff was comfortable with discussing the issue of a state executive order incorporating federal law.

Minutes
Hearing of May 25, 1989
Page 6

Staff informed the Commission that it was not comfortable discussing this issue, and further noted that it appeared that Mr. Parker was basing his reasoning for finding P.L. 99-372 to be a state mandated program, on the Board of Control's finding that Chapter 1247, Statutes of 1977, and Chapter 797, Statutes of 1980, were a state mandated program. Staff noted that Board of Control's finding is currently the subject of the litigation in Huff v. Commission on State Mandates (Sacramento County Superior Court Case No. 352295).

Member Creighton moved and Member Martinez seconded a motion to continue this item and have legal counsel and staff review the arguments presented by Mr. Parker. The vote on the motion was unanimous. The motion carried.

With no further items on the agenda, Chairperson Gould adjourned the hearing at 11:45 a.m.


ROBERT W. EICH
Executive Director

RWE:GLH:cm:0224g

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

I am a resident of the County of Solano and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On October 9, 2014, I served the:

SCO Comments

Health Fee Elimination, 08-4206-I-17

Education Code Section 76355

Statutes 1984, 2nd E.S.; Chapter 1; Statutes 1987, Chapter 1118;

Fiscal Years: 2003-2004, 2004-2005 and 2005-2006

Santa Monica Community College District, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on October 9, 2014 at Sacramento, California.



Heidi J. Palchik
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 10/9/14

Claim Number: 08-4206-I-17

Matter: Health Fee Elimination

Claimant: Santa Monica Community College District

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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