

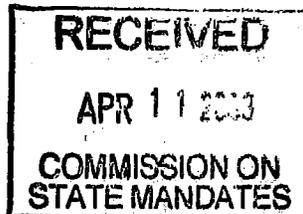
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April 9, 2003



Paula Higashi, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Re: 99-TC-13 Enrollment Fee Collection
Test Claim of Los Ros Community College
00-TC-15 Enrollment Fee Waiver
Test Claim of Glendale Community College
Education Code Section 76300
Title 5, California Code of Regulations, Sections 58500-58508
Enrollment Fee Collection and Waivers

Dear Ms. Higashi:

At the public hearing on March 27, 2003, the Commission adopted the above referenced test claims. The commissioners directed that the parameters and guidelines include a unit cost allowance method of reimbursement.

The Education Mandated Cost Network and the claimants support unit cost allowances in lieu of actual cost reimbursement. The EMCN is currently sponsoring a multi-year effort to convert twelve actual cost mandates to unit cost allowances. As you know, unit cost allowances are generally established after actual cost data is obtained for at least three years, at which time the parameters and guidelines are amended for the unit cost allowance. This is the preferred course of action since the required cost data is readily available from the State Controller and three years of data provides the opportunity to evaluate the consistency of costs reported. Assuming the parameters and guidelines for these test claims were approved this year, the State Controller would be requesting actual cost claims for four fiscal years, dating back to fiscal year 1999-00, to be filed by early next year. In the usual course of events, that would be the time to amend the parameters and guidelines to establish the unit cost allowance, which is the recommendation of these claimants.

However, it appears that the commissioners have made commission staff responsible for including a unit cost allowance in the original parameters and guidelines, without waiting for actual cost data to become available through the usual State Controller claiming

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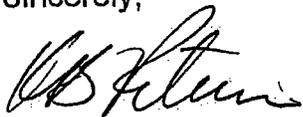
process. In recent years, this approach has been successful only twice for school mandates: Annual Parent Notifications and Schoolsite Discipline Rules. It was possible to obtain concurrence from the state agencies for a unit cost allowance in the original parameters and guidelines since the cost of complying with these two mandates is based on the number of notifications distributed (page count), with the unit cost rate being an arbitrary per page cost negotiated by the parties. However, these mandates do not reimburse the staff time required to prepare the notices each year, which is a "fixed cost" that is not adequately represented by the number of notices distributed. Similar problems may be encountered in developing a unit cost allowance for these new test claims.

Until recent years, when claimants proposed to amend parameters and guidelines to convert to a unit cost allowance, the claimants provided a cost study in support. The Department of Finance has consistently criticized these informal studies as self-serving (designed by the claimant), suspicious (no "audited" data), and failing to meet any reasonable standard of statistical reliability (sample size too small, or insufficiently diverse as to district size or demographics). The last time a claimant-proposed cost study was discussed at hearing, the Commission refused to consider any of these claimant-prepared studies in the future. Recent efforts to convert to uniform cost allowance now rely upon data available from the State Controller's Office, rather than claimant studies. Unfortunately, the Department of Finance representatives continue to block these efforts by insisting on "audited" data, a demand impossible to fulfill as a practical matter.

It is not possible for the claimants to prepare a cost study, circulate the questionnaires, and provide analyzed results within the 30 days allowed to prepare the claimants' proposed parameters and guidelines. Since the Commission and Department of Finance have stated that these claimant-proposed cost studies are not acceptable, there would be no reason to make the attempt. Therefore, to comply with the statutory requirements, the claimants will timely submit proposed "actual cost" parameters and guidelines which describe the reimbursable activities, and await further action by the Commission staff.

The claimants offer all the help they can to assist your staff in developing a unit cost allowance for these mandates. Please let me know how you wish to proceed.

Sincerely,



Keith B. Petersen

C: Jon Sharpe, Vice-Chancellor, Los Rios Community College District
Lawrence Serot, Vice-President, Glendale Community College District
Dr. Carol Berg, Consultant, Education Mandated Cost Network