

**ITEM 17 B**  
**FINAL STAFF ANALYSIS**  
**PROPOSED AMENDMENT TO PARAMETERS AND GUIDELINES**

Public Utilities Code Sections 21670 and 21670.1

Statutes 1994, Chapter 644  
Statutes 1995, Chapter 66  
Statutes 995, Chapter 91

*Airport Land Use Commissions/Plans*  
05-PGA-23 (CSM-4507)

State Controller's Office, Requestor

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**EXECUTIVE SUMMARY**

This is a request filed by the State Controller's Office (SCO) to amend the original parameters and guidelines for the *Airport Land Use Commissions/Plans* program (CSM-4507) to add language regarding source documentation, and record retention requirements during the period a claim is subject to an audit. If the Commission on State Mandates (Commission) approves the SCO's request, the amendments would be effective for costs incurred beginning on July 1, 2005.

In 2003, upon recommendation from the Bureau of State Audits, direction from the Legislature, and an SCO request, the Commission adopted amendments to parameters and guidelines that clarified what source documentation claimants are required to retain to support the claims they file to obtain reimbursement for mandated programs, and records retention language that identifies the records that must be retained to support an audit initiated by the SCO. The adopted language, commonly referred to as "boilerplate language," has been included in all parameters and guidelines adopted since 2003. In addition, section 1183 of the Commission's regulations require parameters and guidelines to include instruction on claim preparation, notice of the SCO's authority to audit claims, and the amount of time documentation must be retained during the audit period.

The SCO is now requesting that parameters and guidelines adopted prior to 2003 be amended to also include the source documentation and records retention language.

This analysis pertains only to the request to amend the *Airport Land Use Commissions/Plans* program. The staff analyses for the other 48 programs will be presented separately.

There is one issue for the Commission's consideration:

- **Should the parameters and guidelines be amended to add the current "boilerplate language"?**

Staff finds that it is appropriate to approve the SCO's request to insert the source documentation and records retention language because it would conform the parameters and guidelines for the *Airport Land Use Commissions/Plans* program with the parameters and guidelines adopted for other programs, and is consistent with section 1183.1 of the Commission's regulations.

Therefore, staff included the language requested by the SCO.

## **Staff Recommendation**

Staff recommends that the Commission:

- Adopt the SCO's proposed amendments to the parameters and guidelines for the *Airport Land Use Commissions/Plans* program, beginning on page 9.
- Authorize staff to make any non-substantive, technical corrections to the parameters and guidelines following the hearing.

## STAFF ANALYSIS

### Requestor

State Controller's Office

### Chronology

07/31/1997	Commission on State Mandates (Commission) adopts Statement of Decision
12/17/1998	Commission adopts parameters and guidelines
08/26/1999	Commission on State Mandates (Commission) adopts statewide cost estimate
01/23/2003	The Commission, upon the recommendation of the Bureau of State Audits, direction from the Legislature, and upon request from the State Controller's Office (SCO), adopts amendments to the <i>School Bus Safety II</i> parameters and guidelines to include "boilerplate language" that details the documentation necessary to support reimbursement claims. After this date, all adopted parameters and guidelines contain this language
04/07/2006	SCO requests the parameters and guidelines for 49 mandated programs adopted prior to 2003 also be amended to include boilerplate language, including the <i>Airport Land Use Commissions/Plans</i> program analyzed here
04/27/2006	Commission deems SCO's request for amendment of parameters and guidelines complete and issues for comment
07/23/2009	Commission reissues SCO's request for amendment of parameters and guidelines for comment
08/18/2009	Department of Finance files comments
10/13/2009	Commission issues draft staff analysis

### Background

This is a request filed by the State Controller's Office (SCO) to amend the original parameters and guidelines for the *Airport Land Use Commissions/Plans* program (CSM-4237) to add language regarding source documentation, and record retention requirements during the period a claim is subject to an audit. If the Commission on State Mandates (Commission) approves the SCO's request, the amendments would be effective for costs incurred beginning on July 1, 2005.

#### Test Claim Decision and Parameters and Guidelines

The County of San Bernardino filed a test claim alleging that Statutes 1976, chapter 1399, imposed a reimbursable state mandate upon counties by requiring counties with an airport served by a scheduled airline or operated for the benefit of the general public to establish or re-establish an airport land use commission or designate alternative procedures to accomplish airport land use planning.

The Commission approved this test claim on July 31, 1997, concluding that Public Utilities Code Sections 21670 and 21670.1, as added or amended by Statutes 1994, chapter 644, Statutes 1995, chapter 66, and Statutes 1995, chapter 91 imposed a reimbursable state-mandated program upon

local agencies within the meaning of section 6, article XIII B of the California Constitution and Government Code section 17514.<sup>1</sup>

On December 17, 1998, the Commission adopted the parameters and guidelines for this program.<sup>2</sup>

### Boilerplate Language

On March 28, 2002, the Bureau of State Audits (BSA) issued an audit report on the *School Bus Safety II* program, stating that the parameters and guidelines do not impose sufficient requirements regarding the documentation required to support reimbursement claims, and thus, insufficient documentation was being submitted to support claims.<sup>3</sup> The report recommended, among other things, that the Commission work with the SCO, other affected state agencies, and interested parties to make sure the language in the parameters and guidelines and the claiming instructions for the *School Bus Safety II* program reflects the Commission's intentions as well as the SCO's expectations regarding supporting documentation. On June 10, 2002, the SCO proposed that parameters and guidelines be amended to clarify what documentation is necessary to support reimbursement claims and what records must be retained to support audits initiated by the SCO.

Based on BSA's audit findings and recommendations, the Legislature enacted Statutes 2002, chapter 1167 (AB 2781) to direct the Commission to amend the parameters and guidelines in *School Bus Safety II*, to detail the documentation necessary to support reimbursement claims.

On January 23, 2003, upon recommendation from BSA, direction from the Legislature, and the SCO's request, the Commission adopted the following language regarding source documentation and records retention to the *School Bus Safety II* parameters and guidelines:<sup>4</sup>

#### *IV. Reimbursable Activities*

*To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.*

*Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government*

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<sup>1</sup> Exhibit A.

<sup>2</sup> Exhibit B.

<sup>3</sup> Exhibit C.

<sup>4</sup> The Commission also adopted other boilerplate language that is not relevant to this request.

*requirements. However, corroborating documents cannot be substituted for source documents.*

*The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.*

#### *VI. Record Retention*

*Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter\* is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.*

The Commission has included this language, commonly referred to as “boilerplate language,” in all parameters and guidelines adopted on or after January 23, 2003.

#### SCO Request to Amend Parameters and Guidelines

On April 7, 2006, the SCO requested that the parameters and guidelines for 49 mandated programs that were adopted prior to 2003 be amended to also include the boilerplate language regarding source documentation and records retention that was adopted by the Commission in 2003.<sup>5</sup>

The parameters and guidelines for the *Airport Land Use Commissions/Plans* program is one of the 49 programs the SCO is requesting be amended.

#### Comments on the Proposal

On April 27, 2006, the Commission issued the SCO’s request to amend the parameters and guidelines for comment. No comments were filed. On July 23, 2009, the Commission reissued the proposal for comment. On August 18, 2009, Department of Finance submitted comments.<sup>6</sup>

In its comments, Finance stated it was neutral on the proposal, because the request to include boilerplate language in the parameters and guidelines for the 49 programs would allow the Controller to complete audit related tasks more efficiently, and provide the claimant with more information and record retention requirements, as well as the statute of limitations for audits.

Commission staff issued the draft staff analysis on October 13, 2009.<sup>7</sup> No comments were filed.

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\* This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

<sup>5</sup> Exhibit D.

<sup>6</sup> Exhibit E.

<sup>7</sup> Exhibit F.

Related Litigation (Clovis Unified School Dist., et al. v. State Controller)

This case involves a challenge by school districts and community college districts on reductions made by the State Controller's Office to reimbursement claims for several mandated programs.<sup>8</sup> The school districts argue that reductions made on the ground that school districts do not have contemporaneous source documents are invalid.

*Trial Court Ruling.* On January 2, 2009, the Sacramento County Superior Court (Case No. 06CS00748) issued a clarification of ruling and on February 19, 2009, issued a Judgment and Writ, finding that reductions made by the Controller on the ground that claimants did not have contemporaneous source documents supporting their reimbursement claims were invalid as an underground regulation *if* the contemporaneous source document requirement was not in the Commission's parameters and guidelines. The court held that the Controller has no authority to reduce a claim on the ground that a claimant did not maintain contemporaneous source documents to support their claim, absent statutory or regulatory authority to require contemporaneous source documents, or language in the parameters and guidelines requiring it. Pursuant to Government Code section 17558, the Controller's claiming instructions shall be derived from the test claim decision and the adopted parameters and guidelines. Thus, the court granted declaratory relief and a writ of mandate requiring the Controller to set aside the reduction and pay the school district plaintiffs the amounts reduced on two mandated programs that did not have parameters and guidelines language requiring claimants to maintain contemporaneous source documents.

*Court of Appeal Filings (Third District Court of Appeal, Case No. C061696).* Notices of appeal and cross-appeal have been filed by the SCO, the community college districts, and the school districts, and opening briefs have been filed. The appeal on the issue of the validity of the contemporaneous source documentation requirement remains pending.

## **Discussion**

The proposed amendments to the parameters and guidelines raise the following issue for determination by the Commission:

**Issue:                    Should the parameters and guidelines be amended to add the Commission's current "boilerplate language"?**

In 2003, following recommendation from the BSA and direction from the Legislature, the SCO requested, and the Commission adopted amendments to parameters and guidelines that clarify what source documentation claimants are required to retain to support the claims they file to obtain reimbursement for mandated programs, and records retention language that identifies the records that must be retained to support an audit initiated by the SCO.

The adopted language, as detailed on pages 4 and 5 of this analysis, has been included in all parameters and guidelines adopted since 2003.

In addition, section 1183.1, subdivision (a) (5) and (6) require that the parameters and guidelines contain, among other things, the following:

- Claim preparation. Instruction on claim preparation, including instruction for direct and indirect cost reporting, or application of a reasonable reimbursement methodology.

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<sup>8</sup> The Commission is not a party to this action.

- Record retention. Notice of the Office of the State Controller's authority to audit claims and the amount of time supporting documents must be retained during period subject to audit.

The SCO is now requesting that parameters and guidelines adopted prior to 2003 be amended to also include the source documentation and records retention language. This analysis pertains to the parameters and guidelines for the *Airport Land Use Commissions/Plans* program.<sup>9</sup>

Inserting the source documentation and records retention boilerplate language would conform the parameters and guidelines for the *Airport Land Use Commissions/Plans* program with the parameters and guidelines adopted for other programs, and is consistent with section 1183.1 of the Commission's regulations.

Therefore, staff finds that it is appropriate to approve the SCO's request, and made the following modifications to the parameters and guidelines:

### *III. Period of Reimbursement*

Government Code section 17557, subdivision (d) states that a parameters and guidelines amendment filed on or before the claiming deadline following a fiscal year, shall establish reimbursement eligibility for that fiscal year. This amendment was filed on April 7, 2006, (after the claiming deadline) establishing reimbursement for fiscal year 2005-2006. Therefore, reimbursement for this amendment shall begin on July 1, 2005.

Staff clarified that the proposed amendments would be effective on July 1, 2005.

### *V. Reimbursable Costs*

Staff inserted the following boilerplate language regarding source documentation, as requested by the SCO:

*To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.*

*Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government*

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<sup>9</sup> The SCO only requested that the portions of the boilerplate language regarding source documentation and records retention be added to the parameters and guidelines for the 49 programs. There are other sections of the boilerplate language regarding the remedies available before the Commission, and the legal and factual basis for the parameters and guidelines. Staff did not include these sections because the SCO did not request that they be included.

requirements. However, corroborating documents cannot be substituted for source documents.

*The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.*

#### VIII. Records Retention

At the request of the SCO, staff removed the existing language regarding records retention, and replaced it with the following boilerplate language regarding records retention.

*Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter\* is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.*

#### **Staff Recommendation**

Staff recommends that the Commission:

- Adopt the proposed amendments to parameters and guidelines for the *Airport Land Use Commissions/Plans* program, beginning on page 9.
- Authorize staff to make any non-substantive, technical corrections to the parameters and guidelines following the hearing.

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\* This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.



Adopted: December 17, 1998

~~Document Date: December 31, 1998~~

~~Document Name: f:\mandates\4000\4507\finalp&g~~

~~Proposed Amendment: January 29, 2010~~

## Parameters and Guidelines

Public Utilities Code Sections 21670 and 21670.1

Statutes ~~of~~ 1994, Chapter 644

Statutes ~~of~~ 1995, Chapter 66

Statutes ~~of~~ 1995, Chapter 91

### Airport Land Use Commissions/Plans

*05-PGA-23 (CSM-4507)*

This amendment is effective beginning with claims filed for the July 1, 2005 through June 30, 2006 period of reimbursement

#### I. SUMMARY AND SOURCE OF THE MANDATE

Public Utilities Code sections 21670 and 21670.1, as amended by Statutes ~~of~~ 1994, Chapter 644, Statutes ~~of~~ 1995, Chapter 66, and Statutes ~~of~~ 1995, Chapter 91, require counties with an airport served by a scheduled airline or operated for the benefit of the general public to establish or re-establish an airport land use commission or designate alternative procedures to accomplish airport land use planning.

On July 31, 1997, the Commission on State Mandates adopted its Statement of Decision, finding that the test claim statutes impose a reimbursable state mandated program upon local agencies within the meaning of section 6, article XIII B of the California Constitution and Government Code section 17514. The Commission also found that the land use plan required by Public Utilities Code section 21675 is not reimbursable because it was a requirement prior to the operative date of Statutes ~~of~~ 1994, Chapter 644.

#### II. ELIGIBLE CLAIMANTS

Eligible Claimants include counties, cities, cities and counties, or other appropriately designated local government entities, except as provided by Public Utilities Code section 21670.2<sup>1</sup> which are required by Public Utilities Code sections 21670 and 21670.1, to perform specific Airport Land Use.

#### III. PERIOD OF REIMBURSEMENT

This amendment is effective beginning with claims filed for the July 1, 2005 through June 30, 2006 period of reimbursement.

Government Code section 17557 states that a test claim must be submitted on or before December 31 following a given fiscal year to establish eligibility for that fiscal year. The test claim for this mandate was filed by the County of San Bernardino on December 30, 1995, making costs incurred on or after July 1, 1994 eligible for reimbursement. However, Statutes ~~of~~ 1994, Chapter 644 became effective on January 1, 1995. Thus, only costs incurred on or after January 1, 1995 are eligible for reimbursement.

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<sup>1</sup> Los Angeles County is excluded as an eligible Claimant by section 21670.2, which states that sections 21670 and 21670.1 do not apply to that county.

Actual costs for one fiscal year should be included in each reimbursement claim. Estimated costs to be incurred in the current fiscal year should be claimed on a separate claim. Estimated and actual reimbursement claims may be filed at the same time, if applicable. All initial claims for reimbursement shall be submitted within 120 days of issuance of the State Controller's Office claiming instructions, as provided in Government Code section 17561.

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.

#### **IV. REIMBURSABLE COMPONENTS AND DESCRIPTION OF ACTIVITIES**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct based upon personal knowledge." Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

- A. For each eligible Claimant, the direct and indirect costs of the following activities are eligible for reimbursement on a one-time basis:
  1. Selection of the Method of Compliance
    - a. Analyze the enacted legislation and alternatives.
    - b. Coordinate positions of the county and affected cities within the county, providing information, and resolving issues.
  2. Establishment of one of the following methods:

METHOD 1 - Set up or restore an airport land use commission.

    - a. Establish and appoint the members.
    - b. Establish proxies of the members.

METHOD 2 - Determination of a designated body, pursuant to Public Utilities Code section 21670.1, subdivisions (a) and (b).

    - a. Conduct hearing(s) to designate the appropriate body.
    - b. Augment the body, if with two members with expertise in aviation.

METHOD 3 –Establishment of an alternative process, pursuant to Public Utilities Code section 21670.1, subdivision (c).

- a. Develop, adopt and implement the specified processes.
- b. Submit and obtain approval of the processes or alternatives from the Department of Transportation, Division of Aeronautics.

METHOD 4 - Establishment of an exemption, pursuant to Public Utilities Code sections 21670 (b) or 21670.1, subdivisions (d) and (e).

- a. Determine that a commission need not be formed and meet the specified conditions.

If an eligible claimant, which has selected and established an exemption as specified under 21670 (b) or 21670.1, subdivisions (d) or (e), determines that the exemption no longer complies with the purposes of Public Utilities Code section 21670 (a), activities to select the Method of Compliance and to establish Method 1, 2 or 3 are eligible for reimbursement.

- B. For each eligible claimant, per diem for Commission members of up to \$100 for each day actually spent in the discharge of official duties and any actual and necessary expenses incurred in connection with the performance of duties as a member of the Commission.

The airport land use planning process described in Public Utilities Code section 21675 is *not* reimbursable.

## **V. CLAIM PREPARATION AND SUBMISSION**

Each reimbursement claim for costs incurred to comply with the requirements of Public Utilities Code sections 21670 and 21670.1 must be timely filed and identify each cost element for which reimbursement is being claimed. Claimed costs must be identified to each reimbursable activity identified in Section IV of this document.

### **A. Direct Costs**

Direct costs are defined as costs that can be traced to specific goods, services, units, programs, activities, or functions. Claimed costs shall be supported by the following cost element information:

#### **1. Salaries and Benefits**

Identify the employee(s) and show the classification of the employee(s) involved. Describe the reimbursable activities performed and specify the actual time devoted to each reimbursable activity, the productive hourly rate, and related employee benefits.

Reimbursement includes compensation paid for salaries, wages and employee benefits. Employee benefits include the employer's contributions to social security, pension plans, insurance, and worker's compensation insurance. Employee benefits are eligible for reimbursement when distributed equitably to all job activities performed by the employee.

2. Materials and Supplies

Only expenditures that can be identified as a direct cost of the mandate may be claimed. List the cost of the supplies consumed specifically for the purposes of this mandate. Purchases shall be claimed at the actual price after deducting cash discounts, rebates, and allowances received by the Claimant. Purchases in excess of reasonable quantity and quality are not reimbursable. Supplies that are withdrawn from inventory shall be charged based on a recognized method of costing, consistently applied.

3. Contract Services

Provide the name(s) of contractor(s) who performed the services. Include any fixed contracts for services. Describe the reimbursable activity(ies) performed by each named contractor and give the number of actual hours spent on the activity(ies), if applicable. Show the inclusive dates when services were performed and itemize all costs for those services. Contracting costs are eligible for reimbursement to the extent that the function(s) performed require special skills, knowledge, or staffing that is not readily available from the Claimant's staff.

4. Travel

Travel expenses for mileage, per diem, lodging, and other employee entitlements are eligible for reimbursement in accordance with the rules of the local jurisdiction. Provide the name(s) of the traveler(s), purpose of travel, inclusive dates and times of travel, destination points, and travel costs.

5. Training

The cost of training for the activities specified in Section IV is eligible for reimbursement. Identify the employee(s) by name and job classification. Provide the title and subject of the training session, the date(s) attended, and the location. Reimbursable costs include salaries and benefits, transportation, lodging, and per diem. Registration fees for commercial training classes are reimbursable only if the entire training class qualifies as job-required training. The cost of training is eligible for reimbursement to the extent it does not duplicate training provided by the state Department of Transportation at no expense to the county or affected cities.

B. Indirect Costs

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

Government Code section 17564, subdivision (b), provides that claims for indirect costs shall be filed in the manner prescribed by the State Controller's Office.

## VI. SUPPORTING DATA

Pursuant to Government Code section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter<sup>2</sup> is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section V, must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

~~For audit purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that show evidence of the validity of such costs and their relationship to the state mandated program. All documentation in support of the claimed costs shall be made available to the State Controller or his or her agent, upon request, and all reimbursement claims are subject to audit during the period specified in Government Code section 17558.5, subdivision (a).~~

## VII. DATA FOR DEVELOPMENT OF THE STATEWIDE COST ESTIMATE

The State Controller is directed to include in the claiming instructions a request that Claimants send an additional copy of the test claim specific form for the initial years' reimbursement claims by mail to the Commission on State Mandates at 1300 I Street, Suite 950 Sacramento, CA 95814. Although providing this information to the Commission on State Mandates is not a condition of reimbursement, Claimants are encouraged to provide this information to enable the Commission to develop a statewide cost estimate which will be the basis for the appropriation to be made by the Legislature for this program.

## VIII. OFFSETTING REIMBURSEMENTS AND OTHER SAVINGS

Any offsetting savings the Claimant experiences as a result of the subject mandates shall be deducted from the costs claimed. In addition, reimbursement for mandated activities received from any source, including (but not limited to) service fees collected, federal funds, and other state funds shall be identified and deducted from the amount claimed.

Section 21671.5, subdivision (f), of the Public Utilities Code authorizes an airport land use commission to establish fee schedules. To the extent that reimbursable activities are claimed under this mandate where there are fees chargeable to a proponent of action, regulation, or permit for reviewing and processing and for providing copies of land use plans as required by section 21675, subdivision (d), of the Public Utilities Code, those fees shall be deducted from the amount claimed.

Funding received under the California Aid to Airports Program, including Project Ker-VAR 90-1 and Project SBd-VAR-90-1, that is applicable to reimbursable activities under the subject mandates shall also be deducted from the amount claimed.

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

## **IX. STATE CONTROLLER'S OFFICE REQUIRED CERTIFICATION**

An authorized representative of the Claimant shall be required to provide a certification of the claim, as specified in the claiming instructions issued by the State Controller, for those costs mandated by the State contained herein.