

ITEM 7
FINAL STAFF ANALYSIS
PROPOSED PARAMETERS AND GUIDELINES

Education Code Section 52056, Subdivision (c)

Statutes 1999-2000, 1st Extraordinary Session, Chapter 3
Statutes. 2000, Chapter 695

Academic Performance Index
01-TC-22

San Juan Unified School District, Claimant

EXECUTIVE SUMMARY

The draft staff analysis and proposed parameters and guidelines for this claim were issued for comment on February 17, 2010. No comments were received. This item is being placed on the Commission's consent calendar.

Background

The approved test claim statutes require a school district governing board to discuss the results of its annual Academic Performance Index (API) ranking at the next regularly scheduled meeting following the annual publication of the API and school rankings determined by the Superintendent of Public Instruction (SPI).

On July 31, 2009, the Commission on State Mandates (Commission) adopted a Statement of Decision, approving this test claim for the following reimbursable activity:

- For a school district governing board to discuss the results of its annual ranking at the next regularly scheduled meeting following the annual publication of the Academic Performance (API) and Superintendent of Public Instruction (SPI) school rankings (Ed. Code § 52056, subd. (c), Stats. 1999-2000 1st Ex. Sess., ch. 3, eff. Jun. 25, 1999, Stats. 2000, ch. 695).

This activity is not a reimbursable mandate for schools with fewer than 100 valid test scores, or schools in the alternative accountability system that are under the jurisdiction of a county board of education or a county superintendent of schools, community day schools, alternative schools, including continuation high schools and opportunity schools and independent study schools. (Ed. Code, § 52052, subd. (f)(1), Stats. 2001, ch. 887 & Cal. Code Regs., tit. 5, §1032, subd. (b).)

In addition, participation in the Intermediate Intervention/Underperforming Schools Program (II/USP), pursuant to section 52053, subdivisions (d) and (j), and all other test claim statutes and regulations pled in the test claim do not constitute a reimbursable state mandate.

On July 31, 2009, the Commission issued the Statement of Decision, and on September 3, 2009, issued the draft parameters and guidelines. On October 6, 2009, San Diego Unified School

District submitted comments stating that the approved activities should include the following additional tasks:

1. The API data (API scores, state ranks, and similar school ranks) are analyzed for changes in longitudinal performance of schools, to identify schools that change ranks (increase or decrease), to measure achievement gaps between student groups, and compare district performance with other urban districts.
2. Preparation of PowerPoint presentation.
3. Obtaining and organizing Data (county and school comparisons) from State Website for Reports.

San Diego also estimated that these tasks would take approximately 50-100 hours to complete depending on the enrollment of the school district. San Diego suggests that a reasonable reimbursement methodology be considered for this program.

Staff recommends that the Commission deny the first proposed list of activities requested by San Diego Unified School District – “The API data (API scores, state ranks, and similar school ranks) are analyzed for changes in longitudinal performance of schools, to identify schools that change ranks (increase or decrease), to measure achievement gaps between student groups, and compare district performance with other urban districts.” These activities are the subject of a subsequent statute (Ed. Code, § 52056, as amended by Stats. 2003, ch. 45) that was not pled in the test claim and cannot, by definition, be considered “the most reasonable method of complying with the mandate.”

Staff further recommends that the reimbursable activity be modified to incorporate activities that are necessary to comply with the mandate and to specify the activities that are not reimbursable as follows:

- For a school district governing board to discuss the results of its annual Academic Performance Index (API) ranking at the next regularly scheduled meeting following the annual publication of the API and SPI school rankings. Reimbursement is allowed for obtaining the annual API data from the State’s website and preparing a staff report, including a PowerPoint presentation, for the governing board’s discussion. (Ed. Code § 52056, subd. (c), Stats. 1999-2000 1st Ex. Sess., ch. 3, eff. Jun. 25, 1999, Stats. 2000, ch. 695.)

~~However, districts discussing the results of the annual API and SPI rankings (in § 52056, subd. (c)) is not a reimbursable mandate~~ This activity is **not** reimbursable for schools with fewer than 100 valid test scores, or schools in the alternative accountability system that are under the jurisdiction of a county board of education or a county superintendent of schools, community day schools, alternative schools, including continuation high schools and opportunity schools and independent study schools. (Ed. Code, § 52052, subd. (f)(1), Stats. 2001, ch. 887 & Cal. Code Regs., tit. 5, § 1032, subd. (b).)

~~Participation in the H/USP pursuant to section 52053, subdivisions (d) and (j), and all other test claim statutes and regulations pled in the test claim are not reimbursable.~~

In addition, reimbursement is **not** required to analyze the API data, including STAR test scores, for changes in longitudinal performance of schools, to identify schools that change ranks, to measure achievement gaps between student groups, and to compare

district performance with other urban districts pursuant to Education Code section 52056, subdivisions (c) and (d), as amended by Statutes 2003, chapter 45.

Further, since the parties have not developed or proposed a reasonable reimbursement methodology, staff recommends that the Commission adopt parameters and guidelines based on actual costs incurred.

Conclusion and Staff Recommendation

Staff recommends that the Commission:

- Adopt the proposed parameters and guidelines, beginning on page 9.
- Authorize staff to make any non-substantive, technical corrections to the parameters and guidelines following the hearing.

STAFF ANALYSIS

Claimant

Long Beach Community College District

Chronology

06/28/2002	Claimant files test claim with the Commission on State Mandates (Commission)
07/31/2009	Commission adopts Statement of Decision ¹
09/03/2009	Commission issues draft parameters and guidelines ²
10/06/2009	San Diego Unified School District files comments on draft parameters and guidelines ³
02/17/10	Draft staff analysis and proposed parameters and guidelines issued for comment

Summary of the Mandate

Education Code section 52056, as added and amended by the approved test claim statutes, requires a school district governing board to discuss the results of its annual ranking at the next regularly scheduled meeting following the annual publication of the Academic Performance Index (API) and school rankings determined by the Superintendent of Public Instruction (SPI).

The API is calculated annually by the SPI for each school using a variety of indicators that are reported to California Department of Education. The indicators include but are not limited to the results of the STAR tests,⁴ and the High School Exit Exam.⁵ Attendance rates for pupils in elementary schools, middle schools, and secondary schools, and the graduation rates for pupils in secondary schools are also used.⁶ Pupil data is disaggregated by special education status, English language learners, socioeconomic status, gender and ethnic group.⁷

The SPI is required to develop, and the State Board of Education to adopt, expected annual percentage growth targets for all schools based on their API baseline score measured from the

¹ Exhibit A.

² Exhibit B.

³ Exhibit C.

⁴ The Standardized Testing and Reporting Program, or STAR, consists of four testing programs: the (1) California Standards Tests; (2) The California Achievement Tests, Sixth Edition Survey (a national norm referenced achievement test, formerly the Stanford 9); (3) Spanish Assessment of Basic Education, Second Edition; and (4) the California Alternative Performance Assessment for pupils with significant cognitive disabilities that prevent them from taking the other tests.

⁵ Education Code section 52052, subdivision (b).

⁶ Education Code section 52052, subdivision (a)(4). Attendance information for certificated school personnel was deleted from the API by Statutes 2004, chapter 915 (SB 722).

⁷ Education Code section 52052, subdivision (a)(4)(B).

previous year. The minimum growth target is 5 percent of the difference between the school's actual API score and the statewide API performance target, or one API point, whichever is greater. Schools at or above the statewide API performance target need only maintain their API score above the statewide API performance target. To meet its growth target, a school must demonstrate that all ethnic and socioeconomically disadvantaged subgroups, as defined, are making comparable improvement.⁸

On July 31, 2009, the Commission on State Mandates (Commission) adopted a Statement of Decision, approving this test claim for the following reimbursable activity:

- For a school district governing board to discuss the results of its annual ranking at the next regularly scheduled meeting following the annual publication of the API and SPI school rankings (Ed. Code § 52056, subd. (c), Stats. 1999-2000 1st Ex. Sess., ch. 3, eff. Jun. 25, 1999, Stats. 2000, ch. 695).

This activity, however, is not a reimbursable mandate for schools with fewer than 100 valid test scores, or schools in the alternative accountability system that are under the jurisdiction of a county board of education or a county superintendent of schools, community day schools, alternative schools, including continuation high schools and opportunity schools and independent study schools. (Ed. Code, § 52052, subd. (f)(1), Stats. 2001, ch. 887 & Cal. Code Regs., tit. 5, §1032, subd. (b).)

Participation in the Intermediate Intervention/Underperforming Schools Program (II/USP), pursuant to section 52053, subdivisions (d) and (j), and all other test claim statutes and regulations pled in the test claim do not constitute a reimbursable state mandate.

Comments Filed by San Diego Unified School District

On October 6, 2009, San Diego Unified School District submitted comments stating that the approved activity should include the following tasks:

1. The API data (API scores, state ranks, and similar school ranks) are analyzed for changes in longitudinal performance of schools, to identify schools that change ranks (increase or decrease), to measure achievement gaps between student groups, and compare district performance with other urban districts.
2. Preparation of PowerPoint presentation.
3. Obtaining and organizing Data (county and school comparisons) from State Website for Reports

San Diego Unified School District also estimated that these tasks would take approximately 50-100 hours to complete depending on the enrollment of the school district, and suggested that a reasonable reimbursement methodology should be considered for this program.

Discussion

Section III. Period of Reimbursement

Staff added standard boilerplate language to clarify the filing deadlines for reimbursement claims, and that no reimbursement will be provided for suspended mandates.

⁸ Education Code section 52052, subdivision (c) (Stats. 2001, ch. 887).

Section IV. Reimbursable Activities

The Commission approved this test claim for the following reimbursable activity:

- For a school district governing board to discuss the results of its annual ranking at the next regularly scheduled meeting following the annual publication of the API and SPI school rankings (Ed. Code § 52056, subd. (c), Stats. 1999-2000 1st Ex. Sess., ch. 3, eff. Jun. 25, 1999, Stats. 2000, ch. 695).

San Diego Unified School District requests reimbursement for the following additional activities:

1. The API data (API scores, state ranks, and similar school ranks) are analyzed for changes in longitudinal performance of schools, to identify schools that change ranks (increase or decrease), to measure achievement gaps between student groups, and compare district performance with other urban districts.
2. Preparation of PowerPoint presentation.
3. Obtaining and organizing Data (county and school comparisons) from State Website for Reports

The Commission has the authority to include in the parameters and guidelines “the most reasonable methods of complying with the mandate.” “The most reasonable methods of complying with the mandate” is defined as “those methods *not specified in statute* or executive order that are necessary to carry out the mandated program.” (Cal. Code Regs., § 1183.1, subd. (a)(4), emphasis added.)

Staff finds that the first proposed list of activities - to analyze the API data for changes in longitudinal performance of schools, to identify schools that change ranks, to measure achievement gaps between student groups, and to compare district performance with other urban districts – is the subject of a different statute not included in this test claim and, thus, goes beyond the scope of the mandate determined by the Commission. The claimant pled Education Code section 52056 as last amended in 2000 (Stats. 2000, ch. 695.) Education Code section 52056, subdivision (c), simply required the governing board of the school district to discuss, at the next regularly scheduled meeting, the results of the annual ranking following the annual publication of the API and school rankings by the Superintendent of Public Instruction.

In 2003, Education Code section 52056 was subsequently amended (Stats. 2003, ch. 45) to add language consistent with San Diego Unified School District’s first proposed list of activities to analyze the data included within the API ranking. The 2003 amendment “strongly encourages” the governing board to include in the board discussion an examination by school, grade, and subgroup enumerated and in accordance with federal law, the STAR test scores. The STAR test scores are included in the API ranking.⁹ Under the 2003 amendment, if the average STAR test scores fell below the 50th percentile, the board can conduct an assessment of the reasons for the performance results of the school, by grade; or adopt an improved performance plan that includes methods determined by the district to have been used by other schools with similar pupil populations and significantly higher pupil scores. The 2003 statute “strongly encourages”

⁹ Education Code section 52052, subdivision (b).

school districts to examine and analyze the data, but does not expressly mandate the activity because of mandate reimbursement costs incurred pursuant to article XIII B, section 6.¹⁰

Thus, the first proposed list of activities - to analyze the API data, which includes the STAR test scores, for changes in longitudinal performance of schools, to identify schools that change ranks, to measure achievement gaps between student groups, and to compare district performance with other urban districts – is the subject of a subsequent statute that was not pled in the test claim and cannot, by definition, be considered “the most reasonable method of complying with the mandate.” Thus, staff recommends that the Commission deny the first proposed list of activities for reimbursement.

Staff further finds that the proposed activities to prepare a PowerPoint presentation for the board discussion and to obtain API data from the State’s website are activities necessary to carry out the mandated activity for the governing board to discuss the API results. Education Code section 52056, subdivision (a), requires the Superintendent Public Instruction to rank all public schools based on the API by grade level of instruction and in comparison with other schools with similar characteristics, and to report the actual and target annual growth rates attained by the schools. These rankings are annually published on the Internet. Staff finds that obtaining the API data of the district’s schools from the State’s website and preparing a staff report, including a PowerPoint report, for the Board’s discussion are activities that are necessary to carry out the mandated program. The reimbursable activity to discuss the results of the annual API ranking has been modified to add this information and to clarify what is not reimbursable as follows:

- For a school district governing board to discuss the results of its annual ranking at the next regularly scheduled meeting following the annual publication of the API and SPI school rankings. Reimbursement is allowed for obtaining the annual API data from the State’s website and preparing a staff report, including a PowerPoint presentation, for the governing board’s discussion. (Ed. Code § 52056, subd. (c), Stats. 1999-2000 1st Ex. Sess., ch. 3, eff. Jun. 25, 1999, Stats. 2000, ch. 695.)

~~However, districts discussing the results of the annual API and SPI rankings (in § 52056, subd. (c)) is not a reimbursable mandate.~~ This activity is **not** reimbursable for schools with fewer than 100 valid test scores, or schools in the alternative accountability system that are under the jurisdiction of a county board of education or a county superintendent of schools, community day schools, alternative schools, including continuation high schools and opportunity schools and independent study schools. (Ed. Code, § 52052, subd. (f)(1), Stats. 2001, ch. 887 & Cal. Code Regs., tit. 5, § 1032, subd. (b).)

~~Participation in the II/USP pursuant to section 52053, subdivisions (d) and (j), and all other test claim statutes and regulations pled in the test claim are not reimbursable.~~

In addition, reimbursement is **not** required to analyze the API data, including STAR test scores, for changes in longitudinal performance of schools, to identify schools that change ranks, to measure achievement gaps between student groups, and to compare district performance with other urban districts pursuant to Education Code section 52056, subdivisions (c) and (d), as amended by Statutes 2003, chapter 45.

¹⁰ Exhibit D, Senate Rules Committee, Third Reading Analysis, Assembly Bill 36 (2003-04 Leg. Sess.), dated June 17, 2003, page 3

Section V. Claim Preparation and Submission

Reasonable Reimbursement Methodology

San Diego Unified School District suggests that the Commission consider a reasonable reimbursement methodology for this program, as follows:

It is estimated the aforementioned tasks take approximately 50-100 hours to complete depending on the enrollment of the school district. The tasks are performed by supervisors and managers. Accordingly, a reasonable reimbursement methodology should be considered for this program.

No party however, has proposed a reasonable reimbursement methodology and the Commission is not authorized to propose a reasonable reimbursement methodology on its own motion. Government Code section 17518.5 states that a reasonable reimbursement methodology may be developed by any of the following parties:

1. Department of Finance.
2. The Controller.
3. An affected state agency.
4. A claimant.
5. An interested party.

The reasonable reimbursement methodology must be based on cost information from a representative sample of eligible claimants, information provided by associations of local agencies or school districts, or other projections of local costs. In addition, the proposed methodology shall consider the variation in costs among local agencies and school districts to implement the mandate in a cost-efficient manner.¹¹

Therefore, since the parties listed above have not developed a reasonable reimbursement methodology for these parameters and guidelines, staff recommends that the Commission adopt the parameters and guidelines based on actual costs incurred.

Conclusion and Staff Recommendation

Staff recommends that the Commission:

- Adopt the proposed parameters and guidelines, beginning on page 9.
- Authorize staff to make any non-substantive, technical corrections to the parameters and guidelines following the hearing.

¹¹ Government Code section 17518.5, subdivisions (b) and (c).

PROPOSED PARAMETERS AND GUIDELINES

Education Code Section 52056, Subdivision (c)

Statutes 1999, 1st Extraordinary Session, Chapter 3
Statutes 2000, Chapter 695

Academic Performance Index
01-TC-22

San Juan Unified School District, Claimant

I. SUMMARY OF THE MANDATE

~~The approved test claim statutes~~ Education Code section 52056, subdivision (c), as added and amended by the test claim statutes, requires a school district governing board to discuss the results of its annual Academic Performance Index (API) ranking at the next regularly scheduled meeting following the annual publication of the ~~Academic Performance Index (API)~~ and Superintendent of Public Instruction (SPI) school rankings.

On July 31, 2009, the Commission on State Mandates (Commission) adopted a Statement of Decision finding that the test claim ~~legislation~~ statutes imposes a partially reimbursable state-mandated program upon school districts within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. The Commission approved this test claim for the following reimbursable activity:

- For a school district governing board to discuss the results of its annual ranking at the next regularly scheduled meeting following the annual publication of the API and SPI school rankings (Ed. Code § 52056, subd. (c), Stats. 1999-2000 1st Ex. Sess., ch. 3, eff. Jun. 25, 1999, Stats. 2000, ch. 695).

However, districts discussing the results of the annual API and SPI rankings (in § 52056, subd. (c)) is not a reimbursable mandate for schools with fewer than 100 valid test scores, or schools in the alternative accountability system that are under the jurisdiction of a county board of education or a county superintendent of schools, community day schools, alternative schools, including continuation high schools and opportunity schools and independent study schools. (Ed. Code, § 52052, subd. (f)(1), Stats. 2001, ch. 887 & Cal. Code Regs., tit. 5, § 1032, subd. (b).)

Participation in the Intermediate Intervention/Underperforming Schools Program (II/USP) ~~H/USP~~ pursuant to section 52053, subdivisions (d) and (j), and all other test claim statutes and regulations pled in the test claim do not constitute a reimbursable state mandate.

II. ELIGIBLE CLAIMANTS

Any "school district" as defined in Government Code section 17519, except for community colleges, which incurs increased costs as a result of this mandate is eligible to claim reimbursement. Charter schools are not eligible claimants.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557, subdivision (e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The San Juan Unified School District filed the test claim on June 28, 2002, establishing eligibility for reimbursement for the 2000-2001 fiscal year. Therefore, costs incurred are reimbursable on or after July 1, 2000.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561, subdivision (d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560, a school district may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event that revised claiming instructions are issued by the Controller pursuant to Government Code section 17558, subdivision (c) between November 15 and February 15, a school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.
5. If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564.
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

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 (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. 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.

For each eligible claimant, the following activity is reimbursable:

- For a school district governing board to discuss the results of its annual Academic Performance Index (API) ranking at the next regularly scheduled meeting following the annual publication of the API and SPI school rankings. Reimbursement is allowed for obtaining the annual API data from the State’s website and preparing a staff report, including a PowerPoint presentation, for the governing board’s discussion. (Ed. Code § 52056, subd. (c), Stats. 1999-2000 1st Ex. Sess., ch. 3, eff. Jun. 25, 1999, Stats. 2000, ch. 695.)

~~However, districts discussing the results of the annual API and SPI rankings (in § 52056, subd. (c)) is not a reimbursable mandate.~~ This activity is **not** reimbursable for schools with fewer than 100 valid test scores, or schools in the alternative accountability system that are under the jurisdiction of a county board of education or a county superintendent of schools, community day schools, alternative schools, including continuation high schools and opportunity schools and independent study schools. (Ed. Code, § 52052, subd. (f)(1), Stats. 2001, ch. 887 & Cal. Code Regs., tit. 5, § 1032, subd. (b).)

~~Participation in the H/USP pursuant to section 52053, subdivisions (d) and (j), and all other test claim statutes and regulations pled in the test claim are not reimbursable.~~

In addition, reimbursement is **not** required to analyze the API data, including STAR test scores, for changes in longitudinal performance of schools, to identify schools that change ranks, to measure achievement gaps between student groups, and to compare district performance with other urban districts pursuant to Education Code section 52056, subdivisions (c) and (d), as amended by Statutes 2003, chapter 45.

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for each reimbursable activity identified in Section IV, Reimbursable Activities, of this document. Each claimed reimbursable cost must be supported by source documentation as described in Section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for the reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities. Attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services.

4. Fixed Assets and Equipment

Report the purchase price paid for fixed assets and equipment (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination point, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1., Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

Indirect costs are costs that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned to other activities, as appropriate, indirect costs are those remaining to be allocated to benefited cost objectives. A cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been claimed as a direct cost.

Indirect costs include: (a) the indirect costs originating in each department or agency of the governmental unit carrying out state mandated programs, and (b) the costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

County offices of education must use the J-580 (or subsequent replacement) non-restrictive indirect cost rate provisionally approved by the California Department of Education.

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 chapter¹ 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

¹ This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

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 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.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558, subdivision (b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561, subdivision (d)(1), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions and the Controller shall modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557, subdivision (d), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The Statement of Decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the Statement of Decision, is on file with the Commission.