



**BETTY T. YEE**  
California State Controller

**RECEIVED**  
June 06, 2017  
**Commission on  
State Mandates**

June 6, 2017

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

**Re: Draft Proposed Decision**

Incorrect Reduction Claim

*Health Fee Elimination*, 10-4206-I-32

Former Education Code Section 72246 (Renumbered as 76355)<sup>1</sup>

Statutes 1984, Chapter 1 (1983-1984 2<sup>nd</sup> Ex. Sess.) (AB2X 1);

and Statutes 1987, Chapter 1118 (AB 2336)

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, and 2006-2007

State Center Community College District, Claimant

Dear Ms. Halsey:

The State Controller's Office (SCO) has reviewed the Commission on State Mandates' (Commission) Draft Staff Analysis (DSA) dated May 19, 2017, for the above incorrect reduction claim (IRC) filed by State Center Community College District. This letter constitutes the SCO's response to the DSA.

We support the Commission staff decision, which found the following:

- The audit for fiscal year (FY) 2002-03, 2003-04, and 2004-05 was initiated in a timely manner and the audit for all fiscal years was completed on time.
- Reductions of indirect costs in FY 2002-03 and 2003-04 are correct as a matter of law.
- Reductions of indirect costs for FY 2005-06 and 2006-07 was incorrect as a matter of law. When the updated Mandated Cost Manual was issued to community college districts, the claimants likely would have had insufficient notice, or an opportunity to comment, before the FY 2005-06 and 2006-07 reimbursement claims were due to the SCO. The Commission finds that \$124,261 should be reinstated to the claimant for reductions of indirect costs for FY 2005-06 and 2006-07.
- Reductions based on understated offsetting health service fee revenues are correct as a matter of law, and are not arbitrary, capricious, or entirely lacking in evidentiary support.

<sup>1</sup> Statutes of 1993, Chapter 8

Heather Halsey, Executive Director

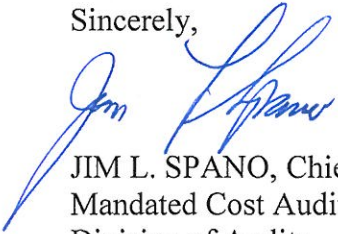
June 6, 2017

Page 2

- The Commission has no jurisdiction under Government Code section 17551(d) to hear and determine whether findings by the Controller are incorrect if they do not result in any reduction to costs claimed.

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

18196

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento 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 June 7, 2017, I served the:

- **State Controller's Office Comments on the Draft Proposed Decision**

*Health Fee Elimination, 10-4206-I-32*

Former Education Code Section 72246 (Renumbered as 76355)<sup>1</sup>

Statutes 1984, Chapter 1 (1983-1984 2nd Ex. Sess.) (AB2X 1);

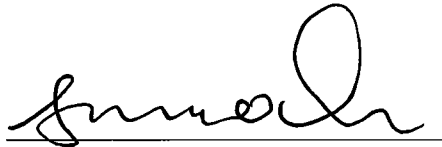
and Statutes 1987, Chapter 1118 (AB 2336)

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, and 2006-2007

State Center 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 June 7, 2017 at Sacramento, California.



Lorenzo Duran  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

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<sup>1</sup> Statutes 1993, chapter 8.

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 3/22/17

**Claim Number:** 10-4206-I-32

**Matter:** Health Fee Elimination

**Claimant:** State Center 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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