

MINUTES

COMMISSION ON STATE MANDATES

State Capitol, Room 126
Sacramento, California
May 25, 2006

Present: Member Anne Sheehan, Chairperson
Representative of the Director of the Department of Finance
Member Nicholas Smith, Vice Chairperson
Representative of the State Controller
Member Francisco Lujano
Representative of the State Treasurer
Member Terry Roberts
Representative of the Director of the Office of Planning and Research
Member J. Steven Worthley
County Supervisor
Member Paul Glaab
City Council Member
Member Sarah Olsen
Public Member

CALL TO ORDER AND ROLL CALL

Chairperson Sheehan called the meeting to order at 9:33 a.m.

APPROVAL OF MINUTES

Item 1 March 29, 2006

Upon motion by Member Smith and second by Member Glaab, the minutes were unanimously adopted.

PROPOSED CONSENT CALENDAR

There were no items on the consent calendar.

APPEAL OF EXECUTIVE DIRECTOR DECISIONS PURSUANT TO CALIFORNIA CODE OF REGULATIONS, TITLE 2, SECTION 1181, SUBDIVISION (c)

Item 3 Staff Report (if necessary)

No appeals were filed.

Paula Higashi, Executive Director, swore in the parties and witnesses participating in the hearing of the test claim agenda items.

RECONSIDERATION OF PRIOR STATEMENT OF DECISION, AS DIRECTED BY THE LEGISLATURE IN STATUTES 2005, CHAPTER 72 (AB 138) (action)

Item 4 *Mandate Reimbursement Process*, 05-RL-4204-02 (CSM 4204 & 4485)
Statutes 1975, Chapter 486 (AB 1375)
Statutes 1984, Chapter 1459 (SB 2337)

Eric Feller, Senior Commission Counsel, presented this item. He stated that the test claim was a reconsideration ordered by the Legislature in last year's Assembly Bill 138. Staff made the following findings:

- Statutes 1975, chapter 486 is not subject to article XIII B, section 6 because it was repealed in 1986.
- Statutes 1984, chapter 1459, which is the Commission's statutory scheme, does not constitute "costs mandated by the state" because it falls within the exception of Government Code section 17556, subdivision (f), which prohibits finding "costs mandated by the state" if the statute "imposes duties that are necessary to implement reasonably within the scope of, or expressly included in a ballot measure approved by the voters in a statewide or local election." Staff found that Statutes 1986, chapter 879 falls within the prohibition of finding costs mandated by the state because it was enacted to implement Proposition 4.

Mr. Feller noted that the County of Los Angeles, City of Newport Beach, and the Grant Joint Union High School District disagreed with staff's findings.

Staff recommended that the Commission adopt the staff analysis, which denies reimbursement on the test claim effective July 1, 2006.

Parties were represented as follows: Abe Hajela, with School Innovations and Advocacy; Julianna Gmur, representing the City of Newport Beach; Leonard Kaye and Dan Wall, on behalf of the County of Los Angeles; Allan Burdick, on behalf of the California State Association of Counties, SB 90 Service; David Scribner, representing the Grant Joint Union High School District; and Susan Geanacou, with the Department of Finance.

Mr. Hajela urged the Commission to postpone its vote and raised the following three arguments:

1. The Education Budget Subcommittee is taking action to repeal sections 7 and 17 of Assembly Bill 138 that directed reconsideration of this matter. There will be conference committee action and the issue will not be decided until the budget is adopted.
2. The June 30th deadline for the Commission to reconsider its decision for the *Mandate Reimbursement Process* program is not a substantive deadline. There are no legal or practical ramifications if the Commission postpones the item.

Member Smith agreed with Mr. Hajela's comments and moved to defer the item to a later time. Chairperson Sheehan acknowledged that the Legislature was discussing the issue, but stated that there was definite disagreement. Noting that the item was already postponed once, she opposed the motion to defer and wanted to continue hearing testimony from other individuals.

3. There are serious concerns about the constitutionality of section 7 of Assembly Bill 138 because it broadly expands the exemption for non-reimbursable mandates. Mr. Hajela urged the Commission to have a full staff analysis on the issue before moving forward.

Camille Shelton, Chief Legal Counsel, stated that statutes are presumed constitutional. She explained that article III, section 3.5 of the Constitution prohibits any administrative agency, including the Commission, from determining that a statute is unconstitutional. Thus, she said the Commission could not engage in the kind of analysis suggested by Mr. Hajela.

Mr. Burdick supported the motion to continue the item because he believed that the matter had not been given the opportunity to be heard before with free and open legislative discussion.

Ms. Gmur disagreed with how the staff analysis looked to Government Code section 17556, subdivision (f), to conclude that there was no mandate. She asked whether the application of subdivision (f) was going to create a fundamentally fair or just result. Ms. Gmur pointed to the court's ruling in the *City of Merced*, in which the court cautioned the Commission to look whether the result was consistent with what the voters or the Legislature intended.

In this case, Ms. Gmur contended that with Proposition 4, the voters intended to create a flow of monies back to local agencies to ensure that programs are funded and that services continue. She argued that the application of subdivision (f) thwarts the voters' intent.

Regarding the application of Government Code section 17556, subdivision (f), Mr. Kaye asserted that all mandates would become non-reimbursable and he believed that the constitutional provision providing a remedy would be written out of the law. He believed that, as an alternative, safeguards could be built into the process to correct any deficiencies. He contended that denial of this test claim would hurt large counties, such as Los Angeles County, as they would have to divert certain service money to program administration. Mr. Kaye urged the Commission to defer this item.

Mr. Burdick commented that over time, the reimbursement process had become extremely more complicated, time-consuming, and costly for everyone involved at the state and local level. He noted that when a local entity files a test claim to begin the reimbursement process, costs are only reimbursed if the party is successful.

Mr. Scribner supported all the comments that had been made. He urged the Commission to look at the potential of the burden that would be imposed upon local government if it took action now, given that there were positive signs in the Legislature. He agreed that there was disagreement in the Legislature, but he noted that the June 30 deadline was a soft deadline. He asserted that Commission action today would only result in an increase in costs if the Legislature overturned sections 7 and 17. He urged the Commission to postpone this item to get direction from the Legislature.

Mr. Scribner argued his points, referencing the *Eastview Optional Attendance Area* claim. He stressed that he was not trying to limit the Legislature's authority. He also stressed that the Commission would not be restricting legislative power if it upheld the *Mandate Reimbursement Process* program. He encouraged the Commission to look back to what the electorate promised local government – no more new programs or higher levels of service without full funding. He asked the Commission to hold the Legislature accountable.

Ms. Geneacou deferred the issue of the postponement requests to the Commission and the staff's advice, but suggested that the Commission look at the law in place at the time the matter was

before them, not at what may be pending. She also commented that the Commission is not an equitable forum. Rather, it is a quasi-judicial forum, in which decisions are based on current law. At the time voters were faced with Proposition 4, there were preexisting provisions in the Revenue and Tax Code that provided for a reimbursement process. Thus, she contended that voters are deemed aware of it at the time they voted. She stated that this flows through to the Commission's analysis of Government Code section 17556, subdivision (f), that the reimbursement process is within the scope of the measure that the voters considered. Moreover, regarding Mr. Scribner's reference to the *Eastview Optional Attendance Area* claim, she noted that the Commission's decision to decline reimbursement was affirmed by the trial court.

Ms. Geanacou supported the staff analysis.

In response to Ms. Geanacou's comments, Mr. Burdick asserted that there was no similarity between the process in place at the time voters were faced with Proposition 4 and the current process, and that previously, the Controller's instructions were not mandatory.

Mr. Scribner argued that in light of the existing statutes in the Revenue and Taxation Code, article XIII B, section 6 of the Constitution only speaks to the state's activities that are necessary to provide a subvention of funds; it says nothing about what locals should do.

Regarding the motion he made, Member Smith stated that Assemblyman Dymally, chair of the Assembly budget Committee on school finance, asked that the Commission defer action on this item until they were able to straighten the matter out. Assemblyman Dymally's concern was that this could fundamentally change the way schools are reimbursed for state-mandated programs. He asked the Commission to address his motion to allow the Legislature the time to debate and discuss the matter and to avoid creating an administrative nightmare.

Chairperson Sheehan stated her wish to give staff the opportunity to respond to the comments.

Member Worthley asked what the impact would be if the Commission were to delay its action. Ms. Shelton responded that there was no penalty imposed for non-compliance with a directory statute, whereas there were penalties for non-compliance with mandatory statutes. She stated that on its face, this statute did not have a penalty imposed; however, it was a question of law as to whether or not the statute was mandatory or directory.

Member Smith asked if there was ever any action against the Commission for failing to hear a test claim in the matter of one year. Ms. Shelton said no.

Mr. Scribner asked whether the reimbursement period would be similar if the item were postponed. Mr. Feller responded that it could change depending on what the Legislature put in another reconsideration statute.

Member Olsen asked what the consequence would be if the Commission acted to adopt the staff recommendation and later the Legislature takes action. Ms. Shelton responded that it would depend on what the subsequent statute stated.

Chairperson Sheehan stated that the Legislature could act on any of the items the Commission decides. Thus, she believed that it was an abrogation of their responsibility as Commission members to postpone a matter because of speculation that the Legislature may or may not act. She agreed with Ms. Geanacou's statement that the Commission was not an equitable forum. She believed that they had an obligation and she was concerned about the precedent that would be set if the Commission postponed an item because of discussion occurring in the Legislature.

Member Smith reiterated that this decision would fundamentally change the mandate reimbursement process. He stated his belief that the consequence of acting was greater than not acting.

Member Worthley seconded Member Smith's motion to defer the item to a subsequent Commission hearing. He stated that he supported the motion due to the concept of judicial economy. If this matter can be resolved in the interim period of time, then the Commission is saving extra trouble. Therefore, he stated that if there was no real consequence to delaying the item, he supported the action.

Member Smith's motion failed 2-4, with Member Glaab, Member Olsen, Member Roberts, and Chairperson Sheehan voting "No." Member Lujano abstained.

Ms. Geanacou asked how the administrative reconsideration of a Commission's decision could figure into this discussion. Ms. Shelton responded that statutes allow any party to request the Commission to reconsider its action within 30 days of adoption of the Statement of Decision. There was further discussion to clarify this procedure.

Ms. Higashi assured the Commission that if it acted today, subsequent action by the Legislature would not create an administrative nightmare. Even though there were no official sanctions, Ms. Higashi noted that the Commission's budget was still in conference and expressed concern about the Commission not acting because a conference committee bill directed the Commission to act before July 1.

Mr. Feller addressed the comments made. Regarding Mr. Scribner's question as to the proper analysis of Government Code section 17556, Mr. Feller stated that there was no further analysis needed because the Legislature declared in Government Code section 17500 that the statutory scheme was enacted to implement Proposition 4, especially article XIII B, section 6. In addition, the courts have said that Government Code section 17556 was expressly enacted to implement article XIII B, section 6. Based on these statements in law, Mr. Feller maintained that the purpose of the statutory scheme was to implement a ballot initiative and there is no reason to question the Legislature. Further, Mr. Feller reiterated Ms. Geanacou's comment about the Commission not being a forum for equity. He maintained that the Commission must follow the law. He also disagreed with the comment that staff's analysis could be applied to any test claim.

Member Smith asked how many times the mandate reimbursement process had been amended since Proposition 4 to determine whether the current process was reasonably within the scope of Proposition 4. There was further discussion about this issue in which the parties continued to disagree.

Ms. Higashi swore in Dan Wall, lobbyist for the County of Los Angeles.

Mr. Wall commented that the previous discussion was invalid because article XIII B, section 6 was reenacted by the Legislature, and thus, the section 6 that existed and was put into the Constitution by the voters no longer existed. He stated it was unfortunate that the motion to defer failed as he thought it was a prudent course of action.

Mr. Feller noted that article XIII B, section 6 was reenacted by the Legislature but again reenacted by the voters in Proposition 1A.

Member Worthley asked if the Commission had the authority to evaluate the necessity of implementation. Ms. Shelton responded that it was a question of law already answered by the Legislature and the courts, and staff was only applying the plain language of the statute.

After further discussion, Member Roberts made a motion to adopt the staff recommendation, which was seconded by Member Glaab.

Member Worthley opposed the motion believing that they had a responsibility to determine whether the process was legal in terms of being reasonably necessary to accomplish the objective. He maintained that there were simpler ways of accomplishing the objective, and that the current way was not necessary. Member Smith agreed.

Member Glaab was sensitive to all the arguments put forth. He acknowledged that the system was broken and that they must work to make it better. However, he did not believe the Commission had the latitude to make the fix.

Member Roberts' motion carried 4-3, with Member Smith, Member Worthley, and Member Lujano voting "No."

- Item 5 Proposed Statement of Decision
Mandate Reimbursement Process, 05-RL-4204-02 (CSM 4204 & 4485)
See Above

Eric Feller, Senior Commission Counsel, presented this item. He stated that unless there was objection, staff recommended that the Commission adopt the proposed Statement of Decision. Staff also recommended that the Commission allow minor changes to be made to the final Statement of Decision, including hearing testimony and vote count.

Member Glaab made a motion to adopt the proposed Statement of Decision, which was seconded by Member Roberts. The motion carried 4-3, with Member Smith, Member Worthley, and Member Lujano voting "No."

HEARINGS AND DECISIONS ON TEST CLAIMS, PURSUANT TO CALIFORNIA CODE OF REGULATIONS, TITLE 2, CHAPTER 2.5, ARTICLE 7 (Gov. Code, § 17551) (action)

- Item 8 *Charter Schools III*, 99-TC-14
Education Code Sections 41365, 47605, Subdivisions (b),(c),(d), (j) and (l), 47604.3, 47607, Subdivision (c), 47612.5, 47613 (former § 47613.7), and 47630-47664; Statutes 1996, Chapter 786 (AB 3384), Statutes 1998, Chapter 34 (AB 544), Statutes 1998, Chapter 673 (AB 2417), Statutes 1999, Chapter 162 (SB 434), Statutes 1999, Chapter 736 (SB 267), Statutes 1999, Chapter 78 (AB 1115)
California Department of Education Memo (May 22, 2000)
Western Placer Unified School District and Fenton Avenue Charter School, Claimants

Eric Feller, Senior Commission Counsel, presented this item. He stated that the test claim statutes make various changes to the charter school funding and accountability laws and claimants sought reimbursement for charter school and school district activities. Mr. Feller outlined staff's findings:

- Charter schools are not eligible claimants because: 1) they are voluntarily created; 2) they are not part of the definition of school districts in the Commission's statutory scheme; and 3) Education Code section 47610 states that they are exempt from laws governing school districts, which staff interpreted to include the Commission's governing statutes.
- The Commission does not have jurisdiction over some statutes that were already pled and decided under *Charter Schools II*.
- Education Code sections 47640 through 47647 are federal mandates, and therefore, are not reimbursable.
- Other test claim statutes are not reimbursable because they do not require school districts to perform any new activities, or a higher level of service.
- The following activities are reimbursable: 1) making written findings on denial of a charter school petition; 2) transferring funds in lieu of property taxes to a charter school (except for local education agencies that charge fees under Education Code section 47613); and 3) for school districts or county offices of education that are chartering authorities, including the revenues and expenditures generated by the charter school in the school district's or county office of education's annual statement, as specified for May 22, 2001 through June 30, 2001, only.

Mr. Feller noted that the Department of Finance disagreed that some of the activities are reimbursable, and that the claimant and Assemblyman Mark Wyland opposed staff's finding that charter schools are not eligible claimants. Mr. Feller also noted that at the last hearing, the California Teachers Association supported the staff analysis.

Staff recommended that the Commission adopt the staff analysis to partially approve the test claim.

Parties were represented as follows: David Scribner, on behalf of the claimants, Western Placer Unified School District and Fenton Avenue Charter School; Eric Premack, with CharterVoice, representing charter schools; and Dan Troy, with the Department of Finance.

Mr. Scribner announced that he had a letter from Assemblyman Bob Huff supporting charter schools' right to reimbursement under the mandates process. He continued to disagree with staff's finding that charter schools are ineligible claimants, arguing that charter schools have been receiving payments ever since the mandates process began. He added that charter schools received claimant identification numbers from the State Controller's Office.

Mr. Scribner believed that the statement in the staff analysis that the Legislature did not mean to include charter schools for mandate reimbursement purposes was false. Rather, he stated that the Legislature failed to properly amend the Government Code to bring it current with its practice of reimbursing charter schools annually for mandated programs.

Mr. Premack contended that charter schools were no more or less voluntary than school districts because the processes for formation and dissolution are very similar for both school districts and charters. He acknowledged that charters are not part of the definition of school districts in the Commission's statutory scheme, but asserted that the Education Code sections governing charter schools were amended last year such that, "for the purposes of determining eligibility for and allocation of state and federal categorical aid, a charter school shall be deemed a school district." Thus, Mr. Premack believed it was clear that charter schools are eligible claimants under the

Government Code. Moreover, he quoted Assemblyman Bob Huff's letter, in which he stated that the changes approved in Assembly Bill 740 demonstrated that charter schools were school districts with regard to mandate claims. Mr. Premack urged the Commission to reject the staff recommendation.

Mr. Troy supported the staff recommendation as to the finding that charter schools are not eligible claimants. He noted that Assembly Bill 740 was silent on the issue of mandates.

Mr. Feller explained that the Education Code deems charter schools as school districts for purposes of Proposition 98, among other things, but never for the purposes of article XIII B, section 6. Thus, until the Legislature indicates its intent in the Education Code or the Government Code to make charters subject to article XIII B, section 6, he maintained that they are not eligible claimants.

Member Smith asked if this was the first time the issue about charter schools' eligibility had been before the Commission. Ms. Shelton responded that it was the first time it was raised in a test claim.

Member Olsen asked for an update as to what happened after the Commission directed staff to send a letter to the Legislative leadership (policy and fiscal) notifying them of the pending test claim analysis. Ms. Higashi stated that the letters were sent, along with follow-up emails, and no replies were received. Chairperson Sheehan noted that Assemblyman Huff and Assemblyman Wyland submitted their letters of opinion on the issues.

Chairperson Sheehan commented that she was sympathetic to the issue from a policy perspective and that the issue was appropriate for the Legislature to decide. However, she believed that the Commission was bound by its governing statutes. She asserted that the Legislature could easily add charter schools as an eligible claimant in statute, but until that was done, the Commission would be overstepping its bounds by presuming something that is not currently in statute.

Mr. Scribner agreed with Chairperson Sheehan's comments but indicated his belief that the Legislature showed its intent to make charter schools eligible claimants by providing them reimbursement.

Member Olsen stated her understanding that charter schools are held to the same standards and requirements as school districts. She asked what requirements are imposed on school districts and not charters. Mr. Premack responded that the Education Code did not apply the employment-related requirements. He added that charters had more flexibility in terms of choosing the curriculum and staffing, as well as state-funded categorical programs.

Mr. Troy commented that charters had far fewer obligations and powers than school districts; they are different entities. He asserted that charters are creatures of their chartering authorities and by choosing to create their petition, they are also buying in to the laws that apply to charter schools.

Mr. Scribner argued that cities, counties, and school districts also evolve voluntarily.

Mr. Premack agreed. Mr. Troy pointed out that when a charter school is formed, it is released of several rules that apply to school districts, and thus, he believed there was an exchange aspect.

Member Worthley asked a question related to the "voluntary" argument with regard to all types of local government entities. Mr. Feller stated that the difference between charter schools and other voluntarily created government entities was that other government entities existed when

Proposition 4 was enacted and were expressly intended to be reimbursed. He also clarified that the California Supreme Court said, in the *Kern* case, that if the underlying programs are voluntary, then the costs incurred from the downstream activities are also incurred voluntarily. He maintained that staff came to its conclusion because there is no express opt-in language in statute for charter schools. There was further discussion about the issue, after which Member Glaab stated his belief that the Commission did not have the ability to make an interpretation. Member Olsen, on the other hand, stated that because of the absence of speech, the Commission did have the latitude to interpret the issue.

Member Smith agreed with Member Olsen and made a motion to reject the staff finding that charter schools are not eligible claimants, which Member Olsen seconded. Member Worthley noted that the Legislature knew how to fix the issue but simply had not done so, and therefore, he did not support the motion. The motion failed 2-5, with Member Worthley, Member Glaab, Member Roberts, Member Lujano, and Chairperson Sheehan voting "No."

Member Worthley made a motion to adopt the staff analysis, which was seconded by Member Glaab. The motion carried 5-2, with Member Smith and Member Olsen voting "No."

Mr. Scribner asked a procedural question to which Ms. Shelton and Ms. Higashi responded.

Item 9 Proposed Statement of Decision
Charter Schools III, 99-TC-14
See Above

Item 9 is the proposed Statement of Decision on the *Charter Schools III* test claim.

Member Glaab made a motion to adopt the proposed Statement of Decision, which was seconded by Member Roberts. Eric Feller, Senior Commission Counsel, requested that the motion also allow minor changes to be made to the final Statement of Decision, including hearing testimony and vote count. Chairperson Sheehan incorporated the request as part of the motion.

The motion carried 5-2, with Member Smith and Member Olsen voting "No."

Item 6 *Charter School Collective Bargaining*, 99-TC-05
Education Code Sections 47605, Subdivision (b)(5)(O) and 47611.5,
Government Code Section 3540, et seq., Statutes 1999, Chapter 828
(AB 631)
Western Placer Unified School District, Claimant

Eric Feller, Senior Commission Counsel, presented this item. He stated that the test claim statutes make charter schools subject to the Educational Employment Relations Act and claimants sought reimbursement for charter school and school district activities. Mr. Feller outlined staff's findings:

- A school district claimant does not have standing to claim reimbursement for the activities alleged to be mandated on a charter school.
- Charter schools are not eligible claimants subject to article XIII B, section 6 of the Constitution.
- The test claim statutes do not mandate an activity on county boards of education.

- Subjecting charter schools to the Educational Employment Relations Act is not a new program or higher level of service for school districts that are deemed the public school employer.
- There is no evidence in the record that school districts incur increased costs mandated by the state to make written findings of fact when denying a charter petition.

Mr. Feller noted that neither the claimant nor any state agency commented on the draft staff analysis. Staff recommended that the Commission adopt the staff analysis to deny the test claim.

Parties were represented as follows: David Scribner, representing the claimant, Western Placer Unified School District; Erick Premack, with CharterVoice; and Susan Geanacou, with the Department of Finance.

Mr. Scribner disagreed with the staff analysis as to the issues of voluntariness and legislative intent. He incorporated by reference his comments under the *Charter Schools III* testimony.

Mr. Premack asserted that this was the single largest mandate within the K-12 sector and urged that the item be deferred until the Legislature decided the issue.

Ms. Geanacou supported the staff analysis. She added that the Department of Finance did not believe that a school district had standing to raise charter school activities.

Member Glaab asked what the implications would be of deferring the item. Ms. Shelton responded that it was within the Commission's discretion to postpone the item. She cautioned that there was legislation that affected almost every program that staff analyzes, and thus, the practice of deferring items would delay everything continually.

Mr. Scribner explained that the reason why a charter school was not originally included as a claimant was because the Commission just recently required a specific entity to be represented on a test claim for each individual type of body. He stated that he could get a charter school claimant if the item were postponed.

Ms. Shelton responded that a claim could not be amended after a hearing is set. She also maintained that school districts are not aligned with charter schools, and thus, it would be inappropriate for a school district to stand in the shoes of a charter when the interests are very different.

Mr. Scribner disagreed, arguing that the amendment would be a procedural addition of a charter school and that the staff analysis would not change. Ms. Shelton maintained that the amendment was substantive because there was no evidence in the record to show that charters incurred increased costs.

Ms. Higashi clarified that there was a period of time in the process where the claimant could request a postponement or amend a claim, but there were no previous indications from the claimant that this was the intent.

Allan Burdick, on behalf of the California State Association of Counties, requested clarification about test claim filings such that when a city files a test claim, it would be sufficient to cover the interests of cities, counties, and special districts as well. Ms. Shelton affirmed, explaining that the Government Code's definition of a "local agency" included all those bodies.

Chairperson Sheehan indicated that most of the Commission members were sympathetic to the issue before the Legislature. However, she stated that until the threshold action is taken in the Legislature, the Commission is bound by its governing statutes in terms of eligible claimants.

Member Smith noted that there was no compelling reason to take action at this hearing, and that the Legislature should be given the opportunity to figure it out.

Member Smith made a motion to defer the item to the July meeting. After a couple of technical questions from Member Worthley and Member Lujano, the motion was seconded by Member Olsen. The motion carried unanimously.

- Item 7 Proposed Statement of Decision
 Charter School Collective Bargaining, 99-TC-05
 See Above

Item 7 was postponed.

- Item 10 *Binding Arbitration, 01-TC-07*
 Code of Civil Procedure, Sections 1281.1, 1299, 1299.2, 1299.3
 1299.4, 1299.5, 1299.6, 1299.7, 1299.8, and 1299.9
 Statutes 2000, Chapter 906 (SB 402)
 City of Palos Verdes Estates, Claimant

- Item 11 Proposed Statement of Decision
 Binding Arbitration, 01-TC-07
 See Above

Items 10 and 11 were postponed.

STAFF REPORTS

- Item 12 Mandate Reform Update

Nancy Patton, Assistant Executive Director, presented this item. She stated that the week before, Senate Budget Subcommittee #4, in effect, rejected the Commission's request for budget augmentation by electing not to discuss the request for funding. She noted that legislative staff from the Senate and Assembly indicated their intent to initiate their own mandate reform discussions once the budget was adopted this year.

Chairperson Sheehan clarified that there was interest in pursuing mandate reform; however, the Legislature would just rather convene the discussions themselves rather than paying an outside facilitator.

Member Smith was disappointed that the budget subcommittee did not take action to fund the collaborative process. He stated the State Controller's commitment to comprehensive mandate reform and his willingness to work with the Legislature and the Commission to achieve that end.

Allan Burdick, on behalf of the California State Association of Counties, requested clarification regarding timing. Chairperson Sheehan responded that there was no definitive answer as to when it would happen, just that there was definite commitment to have the discussions.

Ms. Higashi noted that there may be technical issues to address.

Item 13 Chief Legal Counsel's Report (info)
Recent Decisions, Litigation Calendar

Ms. Shelton reported that on the *Graduation Requirements* lawsuits on the incorrect reduction claims, the parties entered into a stipulation to avoid litigation whereby the Commission would set aside the Statements of Decision and the State Controller's Office would reevaluate the claims. The order was signed by Judge Connolly.

Ms. Shelton also introduced the summer law clerks, Kyle Hampton and Jared Mueller.

Item 14 Executive Director's Report (info/action)
Workload, Budget, Legislation, and Next Hearing

Ms. Higashi reported that the July Commission hearing was moved to Friday, July 28, at 10:00 a.m. She also announced that there was a prehearing conference at 2:00 p.m. to develop a reasonable reimbursement methodology for the *Peace Officers Bill of Rights* program.

PUBLIC COMMENT

There was no public comment.

ADJOURNMENT

Hearing no further business, Member Sheehan adjourned the meeting at 11:56 a.m.


PAULA HIGASHI
Executive Director