



JOHN CHIANG
California State Controller

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COMMISSION ON
STATE MANDATES

December 16, 2008

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

Keith B. Petersen
SixTen and Associates
5252 Balboa Avenue, Suite 807
San Diego, CA 92117

Re: **Incorrect Reduction Claim**

Health Fee Elimination, 05-4206-I-03

Long Beach Community College District, Claimant

Education Code Section 76355

Statutes 1984, Chapter 1, 2nd E.S.; Statutes 1987, Chapter 1118

Fiscal Years 2001-02 and 2002-03

Dear Ms. Higashi and Mr. Petersen:

This letter is in response to the above-entitled Incorrect Reduction Claim. The subject claims were reduced primarily because the Claimant claimed excessive indirect costs, based upon an invalid ICRP, and understated authorized health service fees. The reductions were appropriate and in accordance with law.

The Controller's Office is empowered to audit claims for mandated costs and to reduce those that are "excessive or unreasonable."¹ This power has been affirmed in recent cases, such as the Incorrect Reductions Claims (IRCs) for the *Graduation Requirements* mandate.² If the claimant disputes the adjustments made by the Controller pursuant to that power, the burden is upon them to demonstrate that they are entitled to the full amount of the claim. This principle likewise has been upheld in the *Graduation Requirements* line of IRCs.³ See also Evidence Code section 500.⁴ In this case, the audit

¹ See Government Code section 17561, subdivisions (d)(1)(C) and (d)(2), and section 17564.

² See for example, the Statement of Decision in the Incorrect Reduction Claim of San Diego Unified School District [No. CSM 4435-I-01 and 4435-I-37], adopted September 28, 2000, at page 9.

³ See for example, the Statement of Decision in the Incorrect Reduction Claim of San Diego Unified School District [No. CSM 4435-I-01 and 4435-I-37], adopted September 28, 2000, at page 16.

⁴ "Except as otherwise provided by law, a party has the burden of proof as to each fact the existence or nonexistence of which is essential to the claim for relief or defense that he is asserting."

determined that the claimant was claiming indirect costs based on an unapproved ICRP, as required by the Parameters and Guidelines. Therefore, these claimed costs are unsupported and thus, disallowed.

In its claim, the Claimant utilizes an unapproved indirect cost rate proposal. The Parameters and Guidelines provide for the use of an ICRP determined using the OMB Circular A-21 method, or the SCO's FAM-29C. Since the Claimant did not have a current approved ICRP (via the OMB Circular A-21 method), the auditors utilized the FAM-29C and determined that the allowable rate was much less than claimed. The claim was thus reduced to reflect the allowable rate.

In addition, the audit determined that the Claimant understated authorized health services fees, confusing collected with authorized. The Parameters and Guidelines provide that offsetting savings shall include the amount authorized for student fees. The relevant amount is not the amount charged, nor the amount collected, rather, it is the amount authorized. This is consistent with mandates law in general, and specific case law on point.⁵ Therefore, these claimed costs are unsupported and thus, disallowed.

The Claimant also asserts that the audit of the 2001-02 FY is precluded by the statute of limitations, specifically, Government Code section 17558.5. However, the Claimant incorrectly applies the 1996 version of this statute. Even under this inappropriate version, their conclusion is based on an erroneous interpretation that attempts to rewrite that section, adding a deadline for completion of the audit where none exists. Effective July 1, 1996, Section 17558.5 provided that a claim is "subject to audit" for two years after the end of the calendar year in which the reimbursement claim is filed (or last amended). In this case, the claim for 2001-02 was filed on December 6, 2002, making the claim "subject to audit" up through December 31, 2004. Although there may be a dispute as to what constitutes the initiation of an audit, it is clear that the audit was initiated no later than August 18, 2004, when the entrance conference was held. This is before the deadline of December 31, 2004. Therefore, the audit of the fiscal year 2000-01 was proper, even under the 1996 version of Section 17558.5.

More important is the fact that the 2001-02 audit was subject to the provisions of Section 17558.8 that were effective on January 1, 2003, not the 1996 version. Unless a statute expressly provides to the contrary, any enlargement of a statute of limitations provision applies to matters pending but not already barred.⁶ Under the 1996 version, the claims were subject to audit until December 31, 2004, well after the January 1, 2003, effective date. Therefore, the 2003 provisions of Section 17558.5, which provide that an audit

⁵ See *Connell v. Santa Margarita Water District* (1997) 59 Cal.App.4th 382, 400-03.

⁶ *Douglas Aircraft Co. v. Cranston* (1962) 58 Cal.2d 462, 465. See also, 43 Cal.Jur.3d, Limitations of Actions § 8.


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must be initiated no later than three years after the claim is filed or last amended, are applicable to the claim. In this case, those provisions required that the 2001-02 audit be initiated by December 6, 2005. Since the audit was initiated no later than August 18, 2004, when the entrance conference was held, and in fact completed on April 27, 2005, it is valid and enforceable.

Enclosed please find a complete detailed analysis from our Division of Audits, exhibits, and supporting documentation with declaration.

Sincerely,



SHAWN D. SILVA
Staff Counsel

SDS/ac

Enclosure

cc: Irma Ramos, Long Beach Community College District
Ginny Brummels, Div. of Acctg. & Rptg., State Controller's Office (w/o encl.)
Jim Spano, Division of Audits, State Controller's Office (w/o encl.)

1 **PROOF OF SERVICE**

2 I am employed in the County of Sacramento, State of California. At the time of service, I was at least 18
3 years of age, a United States citizen employed in the county where the mailing occurred, and not a party to the
4 within action. My business address is 300 Capitol Mall, Suite 1850, Sacramento, CA 95814.

5 On December 16, 2008, I served the foregoing document entitled:

6 **SCO'S RESPONSE TO THE INCORRECT REDUCTION CLAIM FOR
7 LONG BEACH COMMUNITY COLLEGE DISTRICT, CSM 05-4206-I-10**

8 on all interested parties in this action by placing a true and correct copy thereof enclosed in a sealed envelope,
9 addressed as follows:

10 Paula Higashi (*original*)
11 Executive Director
12 Commission on State Mandates
13 980 Ninth Street, Suite 300
14 Sacramento, CA 95814

15 Irma Ramos, Administrative Dean
16 Long Beach Community College District
17 4901 East Carson Street
18 Long Beach, CA 90808

19 Keith B. Petersen, President
20 SixTen and Associates
21 5252 Balboa Avenue, Suite 807
22 San Diego, CA 92117

23 **BY MAIL**

24 I placed the envelope for collection and processing for mailing following this business's ordinary practice with
25 which I am readily familiar. On the same day correspondence is placed for collection and mailing, it is deposited
in the ordinary course of business with the United States Postal Service.

BY PERSONAL SERVICE

I caused to be delivered by hand to the above-listed addressees.

BY OVERNIGHT MAIL/COURIER

To expedite the delivery of the above-named document, said document was sent via overnight courier for next day
delivery to the above-listed party.

BY FACSIMILE TRANSMISSION

In addition to the manner of service indicated above, a copy was sent by facsimile transmission to the above-listed
party.

21 I declare that I am employed in the office of a member of the bar of this court at whose direction the
22 service was made. I declare under penalty of perjury under the laws of California that the foregoing is true and
23 correct.

24 Executed on December 16, 2008, at Sacramento, California.

25 
Amber A. Camarena

**RESPONSE BY THE STATE CONTROLLER'S OFFICE (SCO)
TO THE INCORRECT REDUCTION CLAIM (IRC) BY
LONG BEACH COMMUNITY COLLEGE DISTRICT
Health Fee Elimination Program**

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TAB 1

1 **OFFICE OF THE STATE CONTROLLER**

2 300 Capitol Mall, Suite 1850

3 Sacramento, CA 94250

4 Telephone No.: (916) 445-6854

5 BEFORE THE

6 COMMISSION ON STATE MANDATES

7 STATE OF CALIFORNIA

8
9
10 INCORRECT REDUCTION CLAIM ON:

11 *Health Fee Elimination Program*

12 Chapter 1, Statutes of 1984, 2nd Extraordinary
13 Session, and Chapter 1118, Statutes of 1987

14 LONG BEACH COMMUNITY COLLEGE
15 DISTRICT,
Claimant

No.: CSM 05-4206-I-03

AFFIDAVIT OF BUREAU CHIEF

16 I, Jim L. Spano, make the following declarations:

- 17 1) I am an employee of the State Controller's Office (SCO) and am over the age of 18
18 years.
- 19 2) I am currently employed as a bureau chief, and have been so since April 21, 2000.
- 20 3) I am a California Certified Public Accountant.
- 21 4) I reviewed the work performed by the SCO auditor.
- 22 5) Any attached copies of records are true copies of records, as provided by the Long
23 Beach Community College District or retained at our place of business.
- 24 6) The records include claims for reimbursement, along with any attached supporting
25 documentation, explanatory letters, or other documents relating to the above-entitled
Incorrect Reduction Claim.

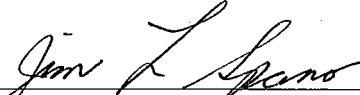
1 7) A field audit of the claims for fiscal year (FY) 2001-02 and FY 2002-03 commenced on
2 August 18, 2004, and ended on October 14, 2004.

3 I do declare that the above declarations are made under penalty of perjury and are true and
4 correct to the best of my knowledge, and that such knowledge is based on personal
5 observation, information, or belief.

6 Date: November 17, 2006

7 OFFICE OF THE STATE CONTROLLER

8
9
10 By: _____


11 Jim L. Spano, Chief
12 Compliance Audits Bureau
13 Division of Audits
14 State Controller's Office
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TAB 2

**STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE
TO THE INCORRECT REDUCTION CLAIM BY
LONG BEACH COMMUNITY COLLEGE DISTRICT
For Fiscal Year (FY) 2001-02 and FY 2002-03**

**Health Fee Elimination Program
Chapter 1, Statutes of 1984, 2nd Extraordinary Session,
and Chapter 1118, Statutes of 1987**

SUMMARY

The following is the State Controller's Office's (SCO) response to the Incorrect Reduction Claim that the Long Beach Community College District submitted on September 6, 2005. The SCO audited the district's claims for costs of the legislatively mandated Health Fee Elimination Program for the period of July 1, 2001, through June 30, 2003. The SCO issued its final report on April 27, 2005 (**Exhibit D**).

The district submitted reimbursement claims totaling \$516,978 as follows.

- FY 2001-02—\$244,306 (**Exhibit G**)
- FY 2002-03—\$272,672 (**Exhibit G**)

The SCO determined that \$50,349 is allowable and \$466,629 is unallowable. The unallowable costs occurred primarily because the district overstated its indirect cost rates and understated authorized health services fees. The State paid the district \$25,457. The State will pay allowable costs claimed that exceed the amount paid, totaling \$24,892, contingent upon available appropriations. The following table summarizes the audit results.

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 318,568	\$ 318,568	\$ —
Services and supplies	98,913	90,493	(8,420)
Subtotal	417,481	409,061	(8,420)
Indirect costs	149,291	75,424	(73,867)
Total health expenditures	566,772	484,485	(82,287)
Less authorized health fees	(321,995)	(432,828)	(110,833)
Less offsetting savings/reimbursements	—	(837)	(837)
Less cost of services in excess of FY 1986-87 services	(471)	(471)	—
Total costs	<u>\$ 244,306</u>	50,349	<u>\$ (193,957)</u>
Less amount paid by the State		(25,457)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,892</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Salaries and benefits	\$ 342,109	\$ 342,109	\$ —
Services and supplies	96,417	87,780	(8,637)
Subtotal	438,526	429,889	(8,637)
Indirect costs	148,836	77,522	(71,314)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>
<u>July 1, 2002, through June 30, 2003 (continued)</u>			
Total health expenditures	587,362	507,411	(79,951)
Less authorized health fees	(313,843)	(531,252)	(217,409)
Less offsetting savings/reimbursements	(847)	(847)	—
Total costs	272,672	(24,688)	(297,360)
Adjustment to eliminate negative balance	—	24,688	24,688
Net allowable costs	<u>\$ 272,672</u>	—	<u>\$ 272,672</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 2001, through June 30, 2003</u>			
Salaries and benefits	\$ 660,677	\$ 660,677	\$ —
Services and supplies	195,330	178,273	(17,057)
Subtotal	856,007	838,950	(17,057)
Indirect costs	298,127	152,946	(145,181)
Total health expenditures	1,154,134	991,896	(162,238)
Less authorized health fees	(635,838)	(964,080)	(328,242)
Less cost of services in excess of FY 1986-87 services	(471)	(471)	—
Less offsetting savings/reimbursements	(847)	(1,684)	(837)
Total costs	516,978	25,661	(491,317)
Adjustment to eliminate negative balance	—	24,688	24,688
Net allowable costs	<u>\$ 516,978</u>	50,349	<u>\$ (466,629)</u>
Less amount paid by the State		(25,457)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,892</u>	

The district believes that its claimed indirect cost rates are appropriate and that it reported the correct amount of health service fee revenues. The district did not contest the audit adjustments identified in Finding 1 (unallowable services and supplies) and Finding 4 (understated expenditures and related offsetting revenues) of the final audit report. The district believes that the SCO was not authorized to audit the district's FY 2001-02 claim.

**I. SCO REBUTTAL TO STATEMENT OF DISPUTE—
CLARIFICATION OF REIMBURSABLE ACTIVITIES, CLAIM CRITERIA, AND
DOCUMENTATION REQUIREMENTS**

Parameters and Guidelines

On August 27, 1987, the Commission on State Mandates (COSM) adopted *Parameters and Guidelines* for Chapter 1, Statutes of 1984, 2nd Extraordinary Session. The COSM amended *Parameters and Guidelines* on May 25, 1989 (**Exhibit B**), because of Chapter 1118, Statutes of 1987.

Parameters and Guidelines (amended May 25, 1989) identifies the scope of the mandate and the reimbursable activities as follows.

V. REIMBURSABLE COSTS

A. Scope of Mandate

Eligible community college districts shall be reimbursed for the costs of providing a health services program. Only services provided in 1986-87 fiscal year may be claimed.

B. Reimbursable Activities

For each eligible claimant, the following cost items are reimbursable to the extent they were provided by the community college district in fiscal year 1986-87. . . . [see **Exhibit B** for a list of reimbursable items.]

Parameters and Guidelines (amended May 25, 1989) provides the following claim preparation criteria.

VI. CLAIM PREPARATION

B. Actual Costs of Claim Year for Providing 1986-87 Fiscal Year Program Level of Service

Claimed costs should be supported by the following information:

1. Employee Salaries and Benefits

Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

2. Services and Supplies

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

3. Allowable Overhead Cost

Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.

Parameters and Guidelines (amended May 25, 1989) defines supporting data as follows.

VII. SUPPORTING DATA

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. This would include documentation for the fiscal year 1986-87 program to substantiate a maintenance of effort. These documents must be kept on file by the agency submitting the claim for a period of no less than three years from the date of the final payment of the claim pursuant to this mandate, and made available on the request of the State Controller or his agent.

Parameters and Guidelines (amended May 25, 1989) defines offsetting savings and other reimbursements as follows.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim. This shall include the amount . . . authorized by Education Code Section 72246 for health services [now Education Code Section 76355].

SCO Claiming and Filing Instructions

The SCO annually issues claiming instructions, which contain filing instructions for mandated cost programs. The September 2002 claiming instructions provide instructions for indirect costs. Section 5B(2) of the instructions (**Tab 3**) states, "A college has the option of using a federally approved rate, utilizing the cost accounting principles from Office of Management and Budget Circular A-21 'Cost Principles for Educational Institutions,' or the Controller's methodology outlined in the following paragraphs [FAM-29C]. . . ." The instructions are consistent with the Health Fee Elimination Claim Summary Instructions, Item (05) (**Tab 4**).

The September 2002 indirect cost claiming instructions are believed to be, for the purposes and scope of the audit period, substantially similar to the version extant at the time the district filed its FY 2000-01 and FY 2001-02 mandated cost claims.

II. UNALLOWABLE SERVICES AND SUPPLIES

Issue

The district overclaimed services and supplies by \$17,894 for the audit period. The related unallowable indirect costs totaled \$6,241, based on claimed indirect cost rates. The district overclaimed insurance premiums paid for student basic and catastrophic coverage by \$11,869 because it included unallowable premiums paid for athletic insurance. In addition, the district inadvertently claimed \$6,025 twice for services and supplies.

SCO Analysis

Parameters and Guidelines states that the cost of insurance is reimbursable for the following activities: (1) on campus accident, (2) voluntary, and (3) insurance inquiry/claim administration.

Education Code Section 76355(d) (formerly Section 72246(2)) states that athletic insurance is not an authorized expenditure for health services.

Parameters and Guidelines also states that all costs claimed must be traceable to source documentation that shows evidence of the validity of such costs.

District's Response

The district does not dispute this adjustment.

III. OVERSTATED INDIRECT COST RATES CLAIMED

Issue

The district overstated its cost rates, thus overstating its indirect costs by \$139,093 for the audit period.

The district claimed indirect costs based on indirect cost rate proposals (ICRPs) prepared for each fiscal year by an outside consultant using OMB Circular A-21 (**Tab 5**) methodology. However, the district did not receive federal approval of its ICRPs.

The SCO claiming instructions provide an alternative indirect costs rate methodology. Consequently, for FY 2001-02 and FY 2002-03, the SCO auditor calculated indirect costs using the methodology described in the SCO claiming instructions using Form FAM-29C. The alternative methodology did not support the rates that the district claimed.

Consistent with this methodology, the SCO auditor calculated the indirect cost rates of 18.23% for FY 2001-02 and 17.96% for FY 2002-03. The differences between rates claimed and rates computed by the SCO were applied to total direct costs for each corresponding year, resulting in overstated claimed costs of \$70,710 for FY 2001-02 and \$68,383 for FY 2002-03.

SCO Analysis

Parameters and Guidelines allows community college districts to claim indirect costs according to the SCO's claiming instructions (**Tab 3**). The claiming instructions require that districts obtain federal approval of ICRPs prepared using OMB Circular A-21 methodology. Alternatively, districts may use the SCO's Form FAM-29C to compute indirect cost rates. Form FAM-29C calculates indirect cost rates using total expenditures reported on the *California Community Colleges Annual Financial and Budget Report, Expenditures by Activity (CCFS-311)*. Form FAM-29C eliminates unallowable expenses and segregates the adjusted expenses between those incurred for direct and indirect activities relative to the mandated cost program.

District's Response

... Contrary to the Controller's ministerial preferences, there is no requirement in law that the district's indirect cost rate must be "federally" approved, and further the Controller has never specified the federal agencies which have the authority to approve indirect cost rates. ...

CCFS-3111

In fact, both the District's method and the Controller's method utilized the same source document, the CCFS-311 annual financial and budget report required by the state. The difference in the claimed and audited methods is in the determination of which of those cost elements are direct costs and which are indirect costs. ...

Regulatory Requirements

No particular indirect cost rate calculation is required by law. The parameters and guidelines state that "Indirect costs *may be claimed* in the manner described by the Controller in his claiming instructions." The district claimed these indirect costs "in the manner" described by the Controller. The correct forms were used and the claimed amounts were entered at the correct locations. Further, "may" is not "shall"; the parameters and guidelines do not require that indirect costs be claimed in the manner described by the Controller. ... Since the Controller's claiming instructions were never adopted as law, or regulations pursuant to the Administrative Procedure Act, the claiming instructions are merely a statement of the ministerial interests of the Controller and not law.

Unreasonable or Excessive

Government Code Section 17561(d)(2) requires the Controller to pay claims, provided that the Controller may audit the records of any school district to verify the actual amount of the mandated costs, and may reduce any claim that the Controller determines is excessive or unreasonable. The Controller is authorized to reduce a claim only if it determines the claim to be excessive or unreasonable. Here, the District has computed its ICRPs utilizing cost accounting principles from the Office of Management and Budget Circular A-21, and the Controller has disallowed it without a determination of whether the product of the District's calculation would, or would not, be excessive, unreasonable, or inconsistent with cost accounting principles. ...

Neither State law nor the parameters and guidelines made compliance with the controller's claiming instructions a condition of reimbursement. The district has followed the parameters and guidelines. The burden of proof is on the controller to prove that the product of District's calculation is unreasonable, not to recalculate the rate according to its unenforceable ministerial preferences. Therefore, Controller made no determination as to whether the method used by the District was reasonable, but, merely substituted its FAM-29C method for the method reported by the District (*sic*).

The substitution of the FAM-20C method is an arbitrary choice of the Controller, not a "finding" enforceable either by fact or law.

SCO's Comment

Parameters and Guidelines, Section VI, states, "Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions." The district misinterprets "may be claimed" by implying that compliance with the claiming instructions is voluntary. Instead, "may be claimed" simply permits the district to claim indirect costs. However, if the district chooses to claim indirect costs, then the district must comply with the SCO's claiming instructions. The district's implication that it claimed costs in the manner described by the SCO simply by completing what it interprets to be the correct forms is without merit.

The SCO's claiming instructions state, "A college has the option of using a federally approved rate, utilizing the cost accounting principles from Office of Management and Budget Circular A-21 'Cost Principles for Educational Institutions,' or the Controller's methodology outlined in the following paragraphs [FAM-29C]. . . ." This instruction is consistent with *Parameters and Guidelines* for other community college district mandated programs, including the following.

- Absentee Ballots
- Collective Bargaining
- Health Benefits for Survivors of Peace Officers and Firefighters
- Law Enforcement College Jurisdiction Agreements
- Mandate Reimbursement Process
- Open Meetings Act
- Photographic Record of Evidence
- Sex Offenders Disclosure by Law Enforcement Officers
- Sexual Assault Response Procedure

(Note: These *Parameters and Guidelines* provide a third option, a 7% flat rate.) Therefore, the SCO did not act arbitrarily by using the FAM-29C methodology to calculate allowable indirect cost rates.

We agree with the district's statement that the difference between the claimed and audited rates is the identification of costs as direct or indirect. The FAM-29C methodology classifies costs as direct or indirect as they relate to the mandated cost program.

In addition, neither this district nor any other district requested that the COSM review the SCO's claiming instructions pursuant to Title 2, *California Code of Regulations* (CCR), Section 1186. Furthermore, the district may not now request a review of the claiming instructions applicable to the audit period. Title 2 CCR Section 1186(j)(2) states, "A request for review filed after the initial claiming deadline must be submitted on or before January 15 following a fiscal year in order to establish eligibility for reimbursement for that fiscal year."

The SCO is not responsible for identifying the district's responsible federal agency. OMB Circular A-21 states:

[Cognizant agency responsibility] is assigned to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD), normally depending on which of the two agencies (HHS or DOD) provides more funds to the educational institution for the most recent three years. . . . In cases where neither HHS nor DOD provides Federal funding to an educational institution, the cognizant agency assignment shall default to HHS.

Government Code Section 17558.5 requires the district to file a reimbursement claim for actual mandate-related costs. *Government Code* Section 17561(d)(2) allows the SCO to audit the district's records to verify actual mandate-related costs and reduce any claim that the SCO determines is

excessive or unreasonable. In addition, *Government Code* Section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money for correctness, legality, and for sufficient provisions of law for payment." Therefore, the district's contention that the SCO "is authorized to reduce a claim only if it determines the claim to be excessive or unreasonable" is without merit.

Nevertheless, the SCO did conclude that the district's claimed indirect costs were excessive. "Excessive" is defined as "exceeding what is usual, proper, necessary, or normal. . . . Excessive implies an amount or degree too great to be reasonable or acceptable. . . ." ¹ The district did not obtain federal approvals of its ICRPs for FY 2001-02 and FY 2002-03; therefore, the SCO auditor calculated indirect costs using the methodology described in the SCO claiming instructions using Form FAM-29C. The alternative methodology indirect cost rates did not support the rates that the district claimed; thus, the rates claimed were excessive.

¹ Merriam-Webster's Collegiate Dictionary, Tenth Edition, © 2001.

IV. UNDERSTATED AUTHORIZED HEALTH FEE REVENUES CLAIMED

Issue

The district understated authorized health service fees by \$217,409 for the audit period because it reported actual revenues received rather than the health service fees it was authorized to collect.

The district was unable to retrieve student attendance data from its computer system that was used to calculate the revenues reported in its reimbursement claims. At the district's recommendation, the SCO recalculated the authorized health service fees the district was authorized to collect and compared that total to what the district reported.

SCO Analysis

Parameters and Guidelines requires district to deduct authorized health services fees from costs claimed. *Education Code* Section 76355(c) states that health fees are authorized from all students except those students who: (1) depend exclusively on prayer for healing; (2) are attending a community college under an approved apprenticeship training program; (3) demonstrate financial need.

Effective with the summer of 1997, authorized health service fees, pursuant to *Education Code* Section 76355, were \$8 per student for summer semester and \$11 per student for the fall and spring semesters. Effective with the summer 2001 session, *Education Code* Section 76355(a) authorized a \$1 increase to health service fees, resulting in authorized health service fees of \$9 per student for summer semester and \$12 per student for the fall and spring semesters.

Government Code Section 17514 defines "costs mandated by the state" as any increased costs that a school district is required to incur. To the extent community college districts can charge a fee, they are not required to incur a cost. In addition, *Government Code* Section 17556 states that COSM shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

District's Response

This finding is based on the Controller's recalculation of the student health services fees which may have been "collectible" which was then compared to the District's student health fee revenues actually received, resulting in a total adjustment of \$217,409 for the two fiscal years.

Education Code Section 76355

Education Code Section 76355, subdivision (a), in relevant part, provides: "The governing board of a district maintaining a community college *may require* community college students to pay a fee . . . for health supervision and services. . . . "There is no requirement that community colleges levy these fees. The permissive nature of the provision is further illustrated in subdivision (b) which states "*If, pursuant to this Section, a fee is required, the governing board of the district shall decide the amount of the fee, if any, that a part-time student is required to pay. The governing board may decide whether the fee shall be mandatory or optional.*" [Emphasis added by the district.]

Parameters and Guidelines

This Controller states that the "*Parameters and Guidelines* requires that the district deduct authorized health fees from claimed costs." The parameters and guidelines do not state this but instead state:

"Any offsetting savings that the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim. This shall include the amount of [student fees] as authorized by Education Code Section 72246(a)²."

² Former Education Code Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by Education Code Section 76355.

In order for a district to "experience" these "offsetting savings" the district must actually have collected these fees. Student health fees actually collected must be used to offset costs, but not student health fees that could have been collected and were not. The use of the term "any offsetting savings" further illustrates the permissive nature of the fees.

Government Code Section 17514

The Controller relies upon Government Code Section 17514 for the conclusion that "[t]o the extent community college districts can charge a fee, they are not required to incur a cost." . . . There is nothing in the language of the statute regarding the authority to charge a fee, any nexus of fee revenue to increased cost, nor any language which describes the legal effect of fees collected.

Government Code Section 17556

The Controller relies upon Government Code Section 17556 for the conclusion that "the COSM shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service." . . . The Controller misrepresents the law. Government Code Section 17556 prohibits the Commission on State Mandates from finding costs subject to reimbursement, that is, approving a test claim activity for reimbursement, where there is authority to levy fees in an amount sufficient to offset the entire mandated costs. Here, the Commission has already approved the test claim and made a finding of a new program or higher level of service for which the claimants do not have the ability to levy a fee in an amount sufficient to offset the entire mandated costs.

Student Health Services Fee Amount

The Controller asserts that the district should have collected a student health service fee each semester from non-exempt students in the amount of \$9 or \$12, depending on the fiscal year and whether the student is enrolled full time or part time. Districts receive notice of these fee amounts from the Chancellor of the California Community Colleges. An example of one such notice is the letter dated March 5, 2001, attached as Exhibit "F." While Education Code Section 76355 provides for an increase in the student health service fee, it did not grant the Chancellor the authority to establish mandatory fee amounts or mandatory fee increases. . . . Therefore, the Controller cannot rely upon the Chancellor's notice to adjust the claim for "collectible" student health services fees.

Fees Collected vs. Fees Collectible

This issue is one of student health fees revenue actually received, rather than student health fees which might be collected. The Commission determined, as stated in the parameters and guidelines that the student health fees "experienced" (*collected*) would reduce the amount subject to reimbursement. Student fees not collected are student fees not "experienced" and as such should not reduce reimbursement. Further, the amount "collectible" will never equal actual revenues collected due to changes in a student's BOGG eligibility, bad debt accounts, and refunds.

Because districts are not required to collect a fee from students for student health services, and if such a fee is collected the amount is to be determined by the District and not the Controller, the Controller's adjustment is without legal basis. What claimants are required by the parameters and guidelines to do is to reduce the amount of their claimed costs by the amount of student health services fee revenue actually received. Therefore, student health fees are merely collectible, they are not mandatory, and it is inappropriate to reduce claim amounts by revenues not received.

SCO's Comment

We agree that community college districts may choose not to levy a health service fee. However, *Education Code* Section 76355(a) provides districts the authority to levy a health service fee. *Education Code* Section 76355(c) specifies the authorized fees. We also agree that the California Community Colleges Chancellor's Office (CCCCO) does not have the authority to establish mandatory fee amounts or mandatory fee increases. The CCCCCO merely notifies districts of changes to the authorized fee amount, pursuant to *Education Code* Section 76355(a).

Regardless of the district's decision to levy or not levy a health service fee, the district does have the authority to levy the fees. In addition, contrary to the district's response, the SCO made no distinction between full-time or part-time students regarding the authorized health service fee. Districts are authorized to levy the full fee amount to both part-time and full time students. *Government Code* Section 17514 states that "costs mandated by the state" means any increased costs that a school district is required to incur. Furthermore, *Government Code* Section 17556(d) states that the COSM shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service. For the Health Fee Elimination mandated program, the COSM clearly recognized the availability of another funding source by including the fees as offsetting savings in *Parameters and Guidelines*, Section VIII (amended May 25, 1989). To the extent districts have authority to charge a fee, they are not required to incur a cost.

The district misrepresents the COSM's determination regarding authorized health service fees. The COSM's staff analysis of May 25, 1989, regarding the proposed *Parameters and Guidelines* amendments (**Tab 6**), states:

Staff amended Item "VIII. Offsetting Savings and Other Reimbursements" to reflect the reinstatement of [the] fee authority.

In response to that amendment, the DOF [Department of Finance] has proposed the addition of the following language to Item VIII. to clarify the impact of the fee authority on claimants' reimbursable costs:

"If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied."

Staff concurs with the DOF proposed language which does not substantively change the scope of Item VIII.

Thus, it is clear that the COSM's intent was that claimants deduct authorized health service fees from mandate-reimbursable costs claimed. Furthermore, the staff analysis included an attached letter

from the CCCCCO, dated April 3, 1989. In that letter, the CCCCCO concurred with the DOF and the COSM regarding authorized health service fees.

Since the COSM's staff concluded that DOF's proposed language did not substantively change the scope of staff's proposed language, COSM staff did not further revise the proposed *Parameters and Guidelines*. The COSM's meeting minutes of May 25, 1989 (Tab 7) show that the Commission adopted the proposed *Parameters and Guidelines* on consent, with no additional discussion. Therefore, there was no change to the COSM's interpretation regarding authorized health service fees.

Two court cases addressed the issue of fee authority.³ Both cases concluded that "costs" as used in the constitutional provision, exclude "expenses that are recoverable from sources other than taxes." In both cases, the source other than taxes was fee authority.

³ *County of Fresno v. California* (1991) 53 Cal. 3d 482; *Connell v. Santa Margarita* (1997) 59 Cal. App. 4th 382.

The district also states, "the amount 'collectible' will never equal actual revenues collected due to changes in a student's BOGG eligibility, bad debt accounts, and refunds." The SCO calculated authorized health service fees based on the district's records of enrollment and BOGG grants. The district is responsible for providing accurate enrollment and BOGG grant data, including any changes that result from BOGG grant eligibility or students who disenroll. Consistent with OMB Circular A-21, Section J, the district is responsible for any bad debt accounts. Further, *Parameters and Guidelines* does not include a provision for bad debt accounts related to health service fees.

V. UNDERSTATED EXPENDITURES AND OFFSETTING REIMBURSEMENTS

Issue

The district underclaimed services and supplies by \$837 for FY 2001-02. The related indirect costs totaled \$153, based on the allowable indirect cost rate claimed for that fiscal year. The district also underclaimed offsetting revenues received in reimbursement of the \$837 expenditure noted above.

SCO Analysis

Parameters and Guidelines states that eligible community college districts shall be reimbursed for the costs of providing a health services program. *Parameters and Guidelines* also requires the districts to list the cost of materials that have been consumed or expended specifically for the purpose of this mandate.

Parameters and Guidelines states that reimbursement for this mandate received from any source (e.g., federal, state, etc.) shall be identified and deducted from this claim.

District's Response

The district stated that this issue is not material and, therefore, does not dispute the adjustment.

VI. STATUTE OF LIMITATIONS FOR AUDIT

Issue

Based on the statute of limitations for audit, the district believes that the SCO had no authority to assess audit adjustments for FY 2001-2002.

SCO Analysis

Government Code Section 17558.5(a), effective July 1, 1996, states that a district's reimbursement claim is subject to audit no later than two years after the end of the calendar year in which the claim is filed or last amended. The district filed its FY 2001-2002 claim on December 6, 2002. Thus, this claim was subject to audit until December 31, 2004. The SCO conducted an audit entrance conference on August 18, 2004. Therefore, the SCO initiated an audit within the period that the claim was subject to audit.

District's Response

... The District asserts that the first year of the two claims audited, FY 2001-02, was beyond the statute of limitations for audit when the Controller completed its audit on April 27, 2005.

Chronology of Claim Action Dates

December 06, 2002	FY 2001-02 claim filed by the District
August 18, 2004	Entrance conference date.
December 31, 2004	FY 2001-02 statute of limitations for audit expires
April 27, 2005	Controller's audit report issued

The District's fiscal year 2001-02 claim was mailed to the Controller on December 06, 2002. According to *Government Code* Section 17558.5, this claim is subject to audit no later than December 31, 2004. The audit was not completed by this date. Therefore, the audit adjustments for FY 2001-02 are barred by the statute of limitations set forth in *Government Code* Section 17558.5....

Statutory History

Prior to January 1, 1994, no statute specifically governed the statute of limitations for audits for audits of mandate reimbursement claims. Statutes of 1993, Chapter 906, Section 2, operative January 1, 1994, added *Government Code* Section 17558.5 to establish for the first time a specific statute of limitations for audit of mandate reimbursement claims. ...

Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996, repealed and replaced Section 17558.5, changing only the period of limitations. ...

FY 2001-02, is subject to the two-year statute of limitations established by Chapter 945/95. FY 2001-02 was beyond audit when the audit report was issued. ...

Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003 amended Section 17558.5....

The amendment is pertinent since it indicates this is the first time that the factual issue of the date the audit is "initiated" for mandate programs for which funds are appropriated is introduced. ...

Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended Section 17558.5.... The amendment is pertinent since it indicates this is the first time that the Controller audits may be completed at a time other than the stated period of limitations.

Initiation of An Audit

... The Controller did not complete the audit within the statutory period allowed for the first year claim included in this audit. ... The audit findings are therefore void for the FY 2001-02 claim. ...

SCO's Comment

The SCO initiated the audit of the district's FY 2001-02 claim on August 18, 2004, which is prior to the December 31, 2004, deadline for the claim to be audited.

The district believes that the audit initiation date is not relevant because the phrase "initiate an audit" is not specifically stated in the *Government Code* language applicable to these claims. Instead, the

district believes the audit report date is relevant. In particular, the district believes that Chapter 890, Statutes of 2004 is pertinent because “it indicates this is the first time that the Controller audits may be completed at a time other than the stated period of limitations.” This is an erroneous conclusion; before Chapter 890, Statutes of 2004, there was no statutory language defining when the SCO must complete an audit.

As of July 1, 1996, *Government Code* Section 17558.5(a) stated, “A reimbursement claim. . . is subject to audit by the Controller no later than two years after the end of the calendar year in which the reimbursement claim is filed or last amended. . .” In construing statutory language, we are to “ascertain the intent of the Legislature so as to effectuate the purpose of the law.” (*Dyna-Med., Inc. v. Fair Employment and Housing Com.* [(1987)] 43 Cal.3d 1379, 1386.) In doing so, we look first to the statute’s words, giving them their usual and ordinary meaning. (*Committee of Seven Thousand v. Superior Court* [(1988)] 45 Cal. 3d 491, 501.)

In *Government Code* Section 17558.5(a), the words “subject to” mean that the district is “in a position or circumstance that places it under the power or authority of another.”⁴ The SCO exercised its authority to audit the district’s claims by conducting the audit entrance conference within the statute of limitations. There is no statutory language that requires the SCO to publish a final audit report before the two-year period expires.

⁴ Source: American Heritage Dictionary of the English Language, Fourth Edition © 2000.

As of January 1, 2003, *Government Code* Section 17558.5(a) was amended to state, “A reimbursement claim. . . is subject to the initiation of an audit by the Controller no later than three years after the reimbursement claim is filed or last amended, whichever is later. . .” [Emphasis added.] While the amendment does not define the start of an audit, the phrase “initiation of an audit” implies the first step taken by the Controller. Construing the statutory language to permit the Controller’s initial contact as the audit’s initiation is consistent with the statutory language as well as subsequent amendments. To read the statute as requiring that the SCO publish a final audit report would be to read into the statute provisions that do not exist.

The fundamental purpose underlying the statute of limitations is “to protect the defendants from having to defend stale claims by providing notice in time to prepare a fair defense on the merits.” (*Downs v. Department of Water & Power* [(1977)] 58 Cal. App. 4th 1093.) Here, the SCO exercised its authority to audit the district’s claims by conducting the audit entrance conference on August 18, 2004, well before the statute of limitations expired for the FY 2001-2002 claim (December 31, 2004).

VII. CONCLUSION

The SCO audited the Long Beach Community College District’s claims for costs of the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2001, through June 30, 2003. The district claimed \$516,978 for the mandated program. Our audit disclosed that \$50,349 is allowable and \$466,629 is unallowable. The unallowable costs occurred primarily because the district overstated its indirect cost rates and understated authorized health service fees

The district claimed unallowable services, supplies, and related indirect costs totaling \$24,135. The district claimed costs that are not reimbursable under the mandated program and inadvertently claimed some costs twice. The district does not dispute this adjustment.

The district overstated its indirect cost rates, thus overstating its indirect costs by \$139,093 for the audit period. The district did not obtain federal approval of its indirect cost rate proposals prepared using OMB Circular A-21 methodology. The SCO calculated indirect cost rates using the alternate methodology; these rates did not support the rates claimed.

The district understated authorized health fees by \$217,409 for the audit period because it reported actual revenues received rather than the health service fees it was authorized to collect.

The district underclaimed services, supplies and related indirect costs by \$990 for FY 2001-02. The district also underclaimed related offsetting revenues totaling \$837. The district stated that this issue is not material and, therefore, does not dispute the adjustment.

In addition, the SCO initiated the audit of FY 2001-02 prior to the deadline for the claim to be audited.

In conclusion, the COSM should find that: (1) the SCO had authority to audit FY 2001-02; (2) the SCO correctly reduced the district's FY 2001-02 claim by \$193,957; and (3) the SCO correctly reduced the district's FY 2002-03 claim by \$272,672.

VIII. CERTIFICATION

I hereby certify by my signature below that the statements made in this document are true and correct of my own knowledge, or, as to all other matters, I believe them to be true and correct based upon information and belief.

Executed on November 17, 2006, at Sacramento, California, by:



Jim L. Spano, Chief
Compliance Audits Bureau
Division of Audits
State Controller's Office

TAB 3

B. Indirect Cost

Indirect costs are: (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services and facilities. As noted previously, in order for a cost to be allowable, it must be allocable to a particular cost objective. With respect to indirect costs, this requires that the cost be distributed to benefiting cost objectives on bases, which produce an equitable result in relation to the benefits derived by the mandate.

(1) Indirect Costs for Schools

School districts and county superintendents of schools may claim indirect costs incurred for mandated costs. For fiscal years prior to 1986-87, school districts and county superintendents of schools may use the Department of Education Form Nos. J41A or J-73A, respectively, applicable to the fiscal year of the claim. The rate, however, must not be applied to items of direct costs claimed in complying with the mandate if those same costs are included in cost centers identified as General Support (i.e., EDP Codes 400, 405, 410 in Column 3). For the 1986-87 and subsequent fiscal years, school districts and county superintendents of schools may use the Annual Program Cost Data Report, Department of Education Form Nos. J-380 or J-580, respectively, applicable to the fiscal year of the claim.

The amount of indirect costs the claimant is eligible to claim is computed by multiplying the rate by direct costs. When applying the rate, multiply the rate by direct costs not included in total support services EDP No. 422 of the J-380 or J-580. If there are any exceptions to this general rule for applying the indirect cost rate, they will be found in the individual mandate instructions.

(2) Indirect Cost Rate for Community Colleges

A college has the option of using a federally approved rate, utilizing the cost accounting principles from Office of Management and Budget Circular A-21 "Cost Principles for Educational Institutions," or the Controller's methodology outlined in the following paragraphs. If the federal rate is used, it must be from the same fiscal year in which the costs were incurred.

The Controller allows the following methodology for use by community colleges in computing an indirect cost rate for state mandates. The objective of this computation is to determine an equitable rate for use in allocating administrative support to personnel that performed the mandated cost activities claimed by the community college. This methodology assumes that administrative services are provided to all activities of the institution in relation to the direct costs incurred in the performance of those activities. Form FAM-29C has been developed to assist the community college in computing an indirect cost rate for state mandates. Completion of this form consists of three main steps:

- The elimination of unallowable costs from the expenses reported on the financial statements.
- The segregation of the adjusted expenses between those incurred for direct and indirect activities.
- The development of a ratio between the total indirect expenses and total direct expenses incurred by the community college.

The computation is based on total expenditures as reported in "California Community Colleges Annual Financial and Budget Report, Expenditures by Activity (CCFS-311)." Expenditures classified by activity are segregated by the function they serve. Each function may include expenses for salaries, fringe benefits, supplies, and capital outlay. OMB Circular A-21 requires expenditures for capital outlays to be excluded from the indirect cost rate computation.

Generally, a direct cost is one incurred specifically for one activity, while indirect costs are of a more general nature and are incurred for the benefit of several activities. As previously noted, the objective of this computation is to equitably allocate administrative support costs to personnel that perform mandated cost activities claimed by the college. For the purpose of this computation we have defined indirect costs to be those costs which provide administrative support to personnel who perform mandated cost activities. We have defined direct costs to be those indirect costs that do not provide administrative support to personnel who perform mandated cost activities and those costs that are directly related to instructional activities of the college. Accounts that should be classified as indirect costs are: Planning and Policy Making, Fiscal Operations, General Administrative Services, and Logistical Services. If any costs included in these accounts are claimed as a mandated cost, i.e., salaries of employee performing mandated cost activities, the cost should be reclassified as a direct cost. Accounts in the following groups of accounts should be classified as direct costs: Instruction, Instructional Administration, Instructional Support Services, Admissions and Records, Counseling and Guidance, Other Student Services, Operation and Maintenance of Plant, Community Relations, Staff Services, Non-instructional Staff-Retirees' Benefits and Retirement Incentives, Community Services, Ancillary Services and Auxiliary Operations. A college may classify a portion of the expenses reported in the account Operation and Maintenance of Plant as indirect. The claimant has the option of using a 7% or a higher expense percentage is allowable if the college can support its allocation basis.

The rate, derived by determining the ratio of total indirect expenses and total direct expenses when applied to the direct costs claimed, will result in an equitable distribution of the college's mandate related indirect costs. An example of the methodology used to compute an indirect cost rate is presented in Table 4.

Table 4 Indirect Cost Rate for Community Colleges

MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES						FORM FAM-29C
(01) Claimant				(02) Period of Claim		
(03) Expenditures by Activity				(04) Allowable Costs		
Activity	EDP	Total	Adjustments	Total	Indirect	Direct
Subtotal Instruction	599	\$19,590,357	\$1,339,059	\$18,251,298	\$0	\$18,251,298
Instructional Administration	6000					
Academic Administration	301	2,941,386	105,348	2,836,038	0	2,836,038
Course Curriculum & Develop.	302	21,595	0	21,595	0	21,595
Instructional Support Service	6100					
Learning Center	311	22,737	863	21,874	0	21,874
Library	312	518,220	2,591	515,629	0	515,629
Media	313	522,530	115,710	406,820	0	406,820
Museums and Galleries	314	0	0	0	0	0
Admissions and Records	6200	584,939	12,952	571,987	0	571,987
Counseling and Guidance	6300	1,679,596	54,401	1,625,195	0	1,625,195
Other Student Services	6400					
Financial Aid Administration	321	391,459	20,724	370,735	0	370,735
Health Services	322	0	0	0	0	0
Job Placement Services	323	83,663	0	83,663	0	83,663
Student Personnel Admin.	324	289,926	12,953	276,973	0	276,973
Veterans Services	325	25,427	0	25,427	0	25,427
Other Student Services	329	0	0	0	0	0
Operation & Maintenance	6500					
Building Maintenance	331	1,079,260	44,039	1,035,221	0	1,035,221
Custodial Services	332	1,227,668	33,677	1,193,991	0	1,193,991
Grounds Maintenance	333	596,257	70,807	525,450	0	525,450
Utilities	334	1,236,305	0	1,236,305	0	1,236,305
Other	339	3,454	3,454	0	0	0
Planning and Policy Making	6600	587,817	22,451	565,366	565,366	0
General Inst. Support Services	6700					
Community Relations	341	0	0	0	0	0
Fiscal Operations	342	634,605	17,270	617,335	553,184	(a) 64,151
Subtotal		\$32,037,201	\$1,856,299	\$30,180,902	\$1,118,550	\$29,062,352

Table 4 Indirect Cost Rate for Community Colleges (continued)

MANDATED COST INDIRECT COST RATE FOR COMMUNITY COLLEGES					FORM FAM-29C	
(01) Claimant				(02) Period of Claim		
(03) Expenditures by Activity				(04) Allowable Costs		
Activity	EDP	Total	Adjustments	Total	Indirect	Direct
General Inst. Sup. Serv. (cont.)	6700					
Administrative Services	343	\$1,244,248	\$219,331	\$1,024,917	\$933,494	(a) \$91,423
Logistical Services	344	1,650,889	126,935	1,523,954	1,523,954	0
Staff Services	345	0	0	0	0	0
Noninstr. Staff Benefit & Incent.	346	10,937	0	10,937	0	10,937
Community Services	6800					
Community Recreation	351	703,858	20,509	683,349	0	683,349
Community Service Classes	352	423,188	24,826	398,362	0	398,362
Community Use of Facilities	353	89,877	10,096	79,781	0	79,781
Ancillary Services	6900					
Bookstores	361	0	0	0	0	0
Child Development Center	362	89,051	1,206	87,845	0	87,845
Farm Operations	363	0	0	0	0	0
Food Services	364	0	0	0	0	0
Parking	365	420,274	6,857	413,417	0	413,417
Student Activities	3663	0	0	0	0	0
Student Housing	67	0	0	0	0	0
Other	379	0	0	0	0	0
Auxiliary Operations	7000					
Auxiliary Classes	381	1,124,557	12,401	1,112,156	0	1,112,156
Other Auxiliary Operations	382	0	0	0	0	0
Physical Property Acquisitions	7100	814,318	814,318	0	0	0
(05) Total		\$38,608,398	\$3,092,778	\$35,515,620	\$3,575,998	\$31,939,622
(06) Indirect Cost Rate: (Total Indirect Cost/Total Direct Cost)				11.1961%		
(07) Notes						
(a) Mandated Cost activities designated as direct costs per claim instructions.						

TAB 4

HEALTH FEE ELIMINATION

1. Summary of Chapters 1/84, 2nd E.S., and Chapter 1118/87

Chapter 1, Statutes of 1984, 2nd E.S., repealed Education Code § 72246 which authorized community college districts to charge a fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. The statute also required community college districts that charged a fee in the 1983/84 fiscal year to maintain that level of health services in the 1984/85 fiscal year and each fiscal year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community college districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987 amended Education Code § 72246 to require any community college district that provided health services in the 1986/87 fiscal year to maintain health services at that level in the 1986/87 fiscal year and each fiscal year thereafter. Chapter 8, Statutes of 1993, has revised the numbering of § 72246 to § 76355.

2. Eligible Claimants

Any community college district incurring increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

To determine if current funding is available for this program, refer to the schedule "Appropriations for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in mid-September of each year to community college presidents.

4. Types of Claims

A. Reimbursement and Estimated Claims

A claimant may file a reimbursement claim and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

Section 17564(a), Government Code, provides that no claim shall be filed pursuant to Section 17561 unless such a claim exceeds \$200 per program per fiscal year.

5. Filing Deadline

- (1) Refer to item 3 "Appropriations" to determine if the program is funded for the current fiscal year. If funding is available, an estimated claim must be filed with the State Controller's Office and postmarked by November 30, of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30, of the following fiscal year regardless whether the payment was more or less than the actual costs. If the local agency fails to file a reimbursement claim, monies received must be returned to the State. If no estimated claim was filed, the local agency may file a reimbursement

claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. (See item 3 above).

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed for health service costs at the level of service provided in the 1986/87 fiscal year. The reimbursement will be reduced by the amount of student health fees authorized per the Education Code § 76355.

After January 1, 1993, pursuant to Chapter 8, Statutes of 1993, the fees students were required to pay for health supervision and services were not more than:

\$10.00 per semester

\$5.00 for summer school

\$5.00 for each quarter

Beginning with the summer of 1997, the fees are:

\$11.00 per semester

\$8.00 for summer school or

\$8.00 for each quarter

The district may increase fees by the same percentage increase as the Implicit Price Deflator (IPD) for the state and local government purchase of goods and services. Whenever the IPD calculates an increase of one dollar (\$1) above the existing amount, the fees may be increased by one dollar (\$1).

7. Reimbursement Limitations

- A. If the level at which health services were provided during the fiscal year of reimbursement is less than the level of health services that were provided in the 1986/87 fiscal year, no reimbursement is forthcoming.
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. federal, state grants, foundations, etc.) as a result of this mandate, shall be identified and deducted so only net local costs are claimed.

8. Claiming Forms and Instructions

The diagram "Illustration of Claim Forms" provides a graphical presentation of forms required to be filed with a claim. A claimant may submit a computer generated report in substitution for forms HFE-1.0, HFE-1.1, and form HFE-2 provided the format of the report and data fields contained within the report are identical to the claim forms included in these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated and reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

A. Form HFE- 2, Health Services

This form is used to list the health services the community college provided during the 1986/87 fiscal year and the fiscal year of the reimbursement claim.

B. Form HFE-1.1, Claim Summary

This form is used to compute the allowable increased costs an individual college of the community college district has incurred to comply with the state mandate. The level of health services reported on this form must be supported by official financial records of the community college district. A copy of the document must be submitted with the claim. The amount shown on line (13) of this form is carried to form HFE-1.0.

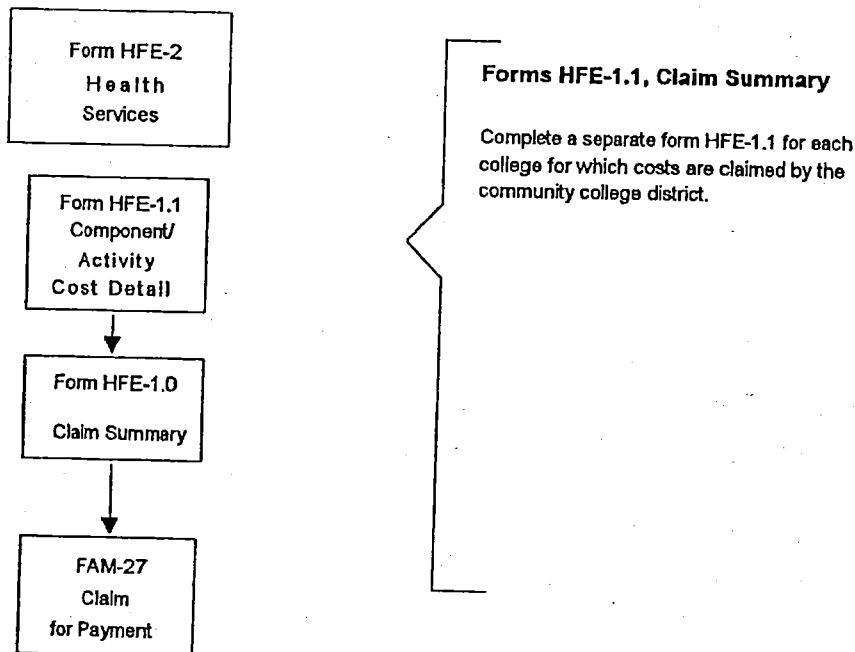
C. Form HFE-1.0, Claim Summary

This form is used to list the individual colleges that had increased costs due to the state mandate and to compute a total claimable cost for the district. The "Total Amount Claimed", line (04) on this form is carried forward to form FAM-27, line 13, for the reimbursement claim, or line (07) for the estimated claim.

D. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized representative of the local agency. All applicable information from form HFE-1.0 and HFE 1.1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

Illustration of Claim Forms



CLAIM FOR PAYMENT Pursuant to Government Code Section 17561 HEALTH FEE ELIMINATION	For State Controller Use Only (19) Program Number 00029 (20) Date Filed ___/___/___ (21) LRS Input ___/___/___	Program 029
--	---	---------------------------

L A B E L H E R E	(01) Claimant Identification Number		Reimbursement Claim Data	
	(02) Claimant Name		(22) HFE-1.0, (04)(b)	
	County of Location		(23)	
	Street Address or P.O. Box		(24)	
	City State Zip Code		(25)	

Type of Claim	Estimated Claim	Reimbursement Claim	
	(03) Estimated <input type="checkbox"/>	(09) Reimbursement <input type="checkbox"/>	(26)
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(27)
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(28)
			(29)
Fiscal Year of Cost	(06) 20___/20___	(12) 20___/20___	(30)
Total Claimed Amount	(07)	(13)	(31)
Less: 10% Late Penalty, not to exceed \$1,000		(14)	(32)
Less: Prior Claim Payment Received		(15)	(33)
Net Claimed Amount		(16)	(34)
Due from State	(08)	(17)	(35)
Due to State		(18)	(36)

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code § 17561, I certify that I am the officer authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, set forth on the attached statements.

Signature of Authorized Officer	Date
Type or Print Name	Title
(38) Name of Contact Person for Claim	Telephone Number () - Ext.
	E-Mail Address

Program 029	HEALTH FEE ELIMINATION Certification Claim Form Instructions	FORM FAM-27
------------------------------	---	------------------------------

- (01) Leave blank.
- (02) A set of mailing labels with the claimant's I.D. number and address was enclosed with the letter regarding the claiming instructions. The mailing labels are designed to speed processing and prevent common errors that delay payment. Affix a label in the space shown on form FAM-27. Cross out any errors and print the correct information on the label. Add any missing address items, except county of location and a person's name. If you did not receive labels, print or type your agency's mailing address.
- (03) If filing an original estimated claim, enter an "X" in the box on line (03) Estimated.
- (04) If filing an original estimated claim on behalf of districts within the county, enter an "X" in the box on line (04) Combined.
- (05) If filing an amended or combined claim, enter an "X" in the box on line (05) Amended. Leave boxes (03) and (04) blank.
- (06) Enter the fiscal year in which costs are to be incurred.
- (07) Enter the amount of estimated claim. If the estimate exceeds the previous year's actual costs by more than 10%, complete form HFE-1.0 and enter the amount from line (04)(b).
- (08) Enter the same amount as shown on line (07).
- (09) If filing an original reimbursement claim, enter an "X" in the box on line (09) Reimbursement.
- (10) If filing an original reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.
- (11) If filing an amended or a combined claim on behalf of districts within the county, enter an "X" in the box on line (11) Amended.
- (12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate form FAM-27 for each fiscal year.
- (13) Enter the amount of reimbursement claim from form HFE-1.0, line (04)(b).
- (14) Reimbursement claims must be filed by January 15 of the following fiscal year in which costs are incurred or the claims shall be reduced by a late penalty. Enter either the product of multiplying line (13) by the factor 0.10 (10% penalty) or \$1,000, whichever is less.
- (15) If filing a reimbursement claim and a claim was previously filed for the same fiscal year, enter the amount received for the claim. Otherwise, enter a zero.
- (16) Enter the result of subtracting line (14) and line (15) from line (13).
- (17) If line (16) Net Claimed Amount is positive, enter that amount on line (17) Due from State.
- (18) If line (16) Net Claimed Amount is negative, enter that amount in line (18) Due to State.
- (19) to (21) Leave blank.
- (22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., HFE-1.0, (04)(b), means the information is located on form HFE-1.0, line (04), column (b). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 7.548% should be shown as 8. Completion of this data block will expedite the payment process.
- (37) Read the statement "Certification of Claim." If it is true, the claim must be dated, signed by the agency's authorized officer, and must include the person's name and title, typed or printed. Claims cannot be paid unless accompanied by a signed certification.
- (38) Enter the name, telephone number, and e-mail address of the person whom this office should contact if additional information is required.

SUBMIT A SIGNED, ORIGINAL FORM FAM-27 WITH ALL OTHER FORMS AND SUPPORTING DOCUMENTS (NO COPIES NECESSARY) TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 P.O. Box 942850
 Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
 ATTN: Local Reimbursements Section
 Division of Accounting and Reporting
 3301 C Street, Suite 500
 Sacramento, CA 95816

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.0
(01) Claimant	(02) Type of Claim Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 19__/19__
(03) List all the colleges of the community college district identified in form HFE-1.1, line (03)		
(a) Name of College	(b) Claimed Amount	
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
(04) Total Amount Claimed	[Line (3.1b) + line (3.2b) + line (3.3b) + ...line (3.21b)]	

HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions	FORM HFE-1.0
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(01) Enter the name of the claimant. Only a community college district may file a claim with the State Controller's Office on behalf of its colleges.

(02) Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year for which the expenses were/are to be incurred. A separate claim must be filed for each fiscal year.

Form HFE-1.0 must be filed for a reimbursement claim. Do not complete form HFE-1.0 if you are filing an estimated claim and the estimate is not more than 110% of the previous fiscal year's actual costs. Simply enter the amount of the estimated claim on form FAM-27, line (07). However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, forms HFE-1.0 and HFE-1.1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.

(03) List all the colleges of the community college district which have increased costs. A separate form HFE-1.1 must be completed for each college showing how costs were derived.

(04) Enter the total claimed amount of all colleges by adding the Claimed Amount, line (3.1b) + line (3.2b) ...+ (3.21b).

MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY		FORM HFE-1.1					
(01) Claimant		(02) Type of Claim					
		Reimbursement <input type="checkbox"/> Estimated <input type="checkbox"/>					
		Fiscal Year 19__/19__					
(03) Name of College							
(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1986/87 fiscal year. If the "Less" box is checked, STOP, do not complete the form. No reimbursement is allowed.							
LESS <input type="checkbox"/> SAME <input type="checkbox"/> MORE <input type="checkbox"/>							
		Direct Cost	Indirect Cost				
		Total					
(05) Cost of health services for the fiscal year of claim							
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87							
(07) Cost of providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]							
(08) Complete columns (a) through (g) to provide detail data for health fees							
Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student per Educ. Code § 76355	(d) Full-time Student Health Fees (a) x (c)	(e) Unit Cost for Part-time Student per Educ. Code § 76355	(f) Part-time Student Health Fees (b) x (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester							
2. Per spring semester							
3. Per summer session							
4. Per first quarter							
5. Per second quarter							
6. Per third quarter							
(09) Total health fee that could have been collected				[Line (8.1g) + (8.2g) +(8.6g)]			
(10) Sub-total				[Line (07) - line (09)]			
Cost Reduction							
(11) Less: Offsetting Savings, if applicable							
(12) Less: Other Reimbursements, if applicable							
(13) Total Amount Claimed				[Line (10) - (line (11) + line (12))]			

HEALTH FEE ELIMINATION CLAIM SUMMARY Instructions	FORM HFE-1.1
--	-------------------------

- (01) Enter the name of the claimant. Only a community college district may file a claim with the State Controller's Office on behalf of its colleges.
- (02) **Type of Claim.** Check a box, Reimbursement or Estimated, to identify the type of claim being filed. Enter the fiscal year of costs.
- Form HFE-1.1 must be filed for a reimbursement claim. If you are filing an estimated claim and the estimate does not exceed the previous year's actual costs by 10%, do not complete form HFE-1.1. Simply enter the amount of the estimated claim on form FAM-27, line (05), Estimated. However, if the estimated claim exceeds the previous fiscal year's actual costs by more than 10%, form HFE-1.1 must be completed and a statement attached explaining the increased costs. Without this information the high estimated claim will automatically be reduced to 110% of the previous fiscal year's actual costs.
- (03) Enter the name of the college or community college district that provided student health services in the 1986/87 fiscal year and continue to provide the same services during the fiscal year of the claim.
- (04) Compare the level of health services provided during the fiscal year of reimbursement to the 1986/87 fiscal year and indicate the result by marking a check in the appropriate box. If the "Less" box is checked, STOP and do not complete the remaining part of this claim form. No reimbursement is forthcoming.
- (05) Enter the direct cost, indirect cost, and total cost of health services for the fiscal year of claim on line (05). Direct cost of health services is identified on the college expenditures report (individual college's cost of health services as authorized under Education Code § 76355 and included in the district's Community College Annual Financial and Budget Report CCFS-311, EDP Code 6440, column 5). **If the amount of direct costs claimed is different than shown on the expenditures report, provide a schedule listing those community college costs that are in addition to, or a reduction to expenditures shown on the report.** For claiming indirect costs, college districts have the option of using a federally approved rate (i.e., utilizing the cost accounting principles from the Office of Management and Budget Circular A-21), or the State Controller's methodology outlined in "Filing a Claim" of the Mandated Cost Manual for Schools.
- (06) Enter the direct cost, indirect cost, and total cost of health services that are in excess of the level provided in the 1986/87 fiscal year.
- (07) Enter the difference of the cost of health services for the fiscal year of claim, line (05), and the cost of providing current fiscal year health services that is in excess of the level provided in the 1986/87 fiscal year, line (06).
- (08) Complete columns (a) through (g) to provide details on the amount of health service fees that could have been collected. **Do not include students who are exempt from paying health fees established by the Board of Governors and contained in Section 58620 of Title 5 of the California Code of Regulations.** After 01/01/93, the student fees for health supervision and services were \$10.00 per semester, \$5.00 for summer school, and \$5.00 for each quarter. Beginning with the summer of 1997, the health service fees are: \$11.00 per semester and \$8.00 for summer school, or \$8.00 for each quarter.
- (09) Enter the sum of Student Health Fees That Could Have Been Collected, (other than from students who were exempt from paying health fees) [Line (8.1g) + line (8.2g) + line (8.3g) + line (8.4g) + line (8.5g) + line (8.6g)].
- (10) Enter the difference of the cost of providing health services at the 1986/87 level, line (07) and the total health fee that could have been collected, line (09). If line (09) is greater than line (07), no claim shall be filed.
- (11) Enter the total savings experienced by the school identified in line (03) as a direct cost of this mandate. Submit a schedule of detailed savings with the claim.
- (12) Enter the total other reimbursements received from any source, (i.e., federal, other state programs, etc.). Submit a schedule of detailed reimbursements with the claim.
- (13) Subtract the sum of Offsetting Savings, line (11), and Other Reimbursements, line (12), from Total 1986/87 Health Service Cost excluding Student Health Fees.

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		FORM HFE-2	
(01) Claimant:	(02) Fiscal Year costs were incurred:		
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
Accident Reports			
Appointments College Physician, surgeon Dermatology, family practice Internal Medicine Outside Physician Dental Services Outside Labs, (X-ray, etc.) Psychologist, full services Cancel/Change Appointments Registered Nurse Check Appointments			
Assessment, Intervention and Counseling Birth Control Lab Reports Nutrition Test Results, office Venereal Disease Communicable Disease Upper Respiratory Infection Eyes, Nose and Throat Eye/Vision Dermatology/Allergy Gynecology/Pregnancy Service Neuralgic Orthopedic Genito/Urinary Dental Gastro-Intestinal Stress Counseling Crisis Intervention Child Abuse Reporting and Counseling Substance Abuse Identification and Counseling Acquired Immune Deficiency Syndrome Eating Disorders Weight Control Personal Hygiene Burnout Other Medical Problems, list			
Examinations, minor illnesses Recheck Minor Injury			
Health Talks or Fairs, Information Sexually Transmitted Disease Drugs Acquired Immune Deficiency Syndrome			

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		FORM HFE-2	
(01) Claimant:		(02) Fiscal Year costs were incurred:	
(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
Child Abuse Birth Control/Family Planning Stop Smoking Library, Videos and Cassettes			
First Aid, Major Emergencies			
First Aid, Minor Emergencies			
First Aid Kits, Filled			
Immunizations Diphtheria/Tetanus Measles/Rubella Influenza Information			
Insurance On Campus Accident Voluntary Insurance Inquiry/Claim Administration			
Laboratory Tests Done Inquiry/Interpretation Pap Smears			
Physical Examinations Employees Students Athletes			
Medications Antacids Antidiarrheal Aspirin, Tylenol, Etc Skin Rash Preparations Eye Drops Ear Drops Toothache, oil cloves Stingkill Midol, Menstrual Cramps Other, list			
Parking Cards/Elevator Keys Tokens Return Card/Key Parking Inquiry Elevator Passes Temporary Handicapped Parking Permits			

MANDATED COSTS HEALTH ELIMINATION FEE HEALTH SERVICES		FORM HFE-2	
(01) Claimant:		(02) Fiscal Year costs were incurred:	
(03) Place an "X" in columns (a) and/or (b), as applicable, to indicate which health services were provided by student health service fees for the indicated fiscal years.		(a) FY 1986/87	(b) FY of Claim
Referrals to Outside Agencies Private Medical Doctor Health Department Clinic Dental Counseling Centers Crisis Centers Transitional Living Facilities, battered/homeless women Family Planning Facilities Other Health Agencies			
Tests Blood Pressure Hearing Tuberculosis Reading Information Vision Glucometer Urinalysis Hemoglobin EKG Strep A testing PG Testing Monospot Hemacult Others, list			
Miscellaneous Absence Excuses/PE Waiver Allergy Injections Band-aids Booklets/Pamphlets Dressing Change Rest Suture Removal Temperature Weigh Information Report/Form Wart Removal Others, list			
Committees Safety Environmental Disaster Planning			

TAB 5



Office of Management and Budget

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CIRCULAR A-21 **(Revised 05/10/04)**

CIRCULAR NO. A-21 **Revised**

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Cost Principles for Educational Institutions

1. *Purpose.* This Circular establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. The principles deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and institutional participation in the financing of a particular project. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law. Agencies are not expected to place additional restrictions on individual items of cost. Provision for profit or other increment above cost is outside the scope of this Circular.

2. *Supersession.* The Circular supersedes Federal Management Circular 73 8, dated December 19, 1973. FMC 73 8 is revised and reissued under its original designation of OMB Circular No. A 21.

3. *Applicability.*

- a. All Federal agencies that sponsor research and development, training, and other work at educational institutions shall apply the provisions of this Circular in determining the costs incurred for such work. The principles shall also be used as a guide in the pricing of fixed price or lump sum agreements.
- b. In addition, Federally Funded Research and Development Centers associated with educational institutions shall be required to comply with the Cost Accounting Standards, rules and regulations issued by the Cost Accounting Standards Board, and set forth in 48 CFR part 99; provided that they are subject thereto under defense related contracts.

4. *Responsibilities.* The successful application of cost accounting principles requires development of mutual understanding between representatives of educational institutions and of the Federal Government as to their scope, implementation, and interpretation.

5. *Attachment.* The principles and related policy guides are set forth in the Attachment, "Principles for determining costs applicable to grants, contracts, and other agreements with educational institutions."

6. *Effective date.* The provisions of this Circular shall be effective October 1, 1979, except for subsequent amendments incorporated herein for which the effective dates were specified in these revisions (47 FR 33658, 51 FR 20908, 51 FR 43487, 56 FR 50224, 58 FR 39996, 61 FR 20880, 63 FR 29786, 63 FR 57332, 65 FR 48566 and 69 FR 25970). Institutions as of the start of their first fiscal year beginning after that date shall implement the provisions. Earlier implementation, or a delay in implementation of individual provisions, is permitted by mutual agreement between an institution and the cognizant Federal agency.

7. *Inquiries.* Further information concerning this Circular may be obtained by contacting the Office of Federal Financial Management, Office of Management and Budget, Washington, DC 20503, telephone (202) 395 3993.

Attachment

**PRINCIPLES FOR DETERMINING COSTS APPLICABLE TO GRANTS,
CONTRACTS, AND OTHER AGREEMENTS WITH
EDUCATIONAL INSTITUTIONS**

TABLE OF CONTENTS

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H. Simplified method for small institutions

1. General
2. Simplified procedure

I. Reserved

J. General provisions for selected items of cost

1. Advertising and public relations costs
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4. Alumni/ae activities

(2) Other than formal negotiation. The cognizant agency and educational institution may reach an agreement on rates without a formal negotiation conference; for example, through correspondence or use of the simplified method described in this Circular.

- g. Formalizing determinations and agreements. The cognizant agency shall formalize all determinations or agreements reached with an educational institution and provide copies to other agencies having an interest.
- h. Disputes and disagreements. Where the cognizant agency is unable to reach agreement with an educational institution with regard to rates or audit resolution, the appeal system of the cognizant agency shall be followed for resolution of the disagreement.

12. Standard Format for Submission. For facilities and administrative (F&A) rate proposals submitted on or after July 1, 2001, educational institutions shall use the standard format, shown in Appendix C, to submit their F&A rate proposal to the cognizant agency. The cognizant agency may, on an institution by institution basis, grant exceptions from all or portions of Part II of the standard format requirement. This requirement does not apply to educational institutions that use the simplified method for calculating F&A rates, as described in Section H.

H. Simplified method for small institutions.

1. General.

- a. Where the total direct cost of work covered by Circular A 21 at an institution does not exceed \$10 million in a fiscal year, the use of the simplified procedure described in subsections 2 or 3, may be used in determining allowable F&A costs. Under this simplified procedure, the institution's most recent annual financial report and immediately available supporting information shall be utilized as basis for determining the F&A cost rate applicable to all sponsored agreements. The institution may use either the salaries and wages (see subsection 2) or modified total direct costs (see subsection 3) as distribution basis.
- b. The simplified procedure should not be used where it produces results that appear inequitable to the Federal Government or the institution. In any such case, F&A costs should be determined through use of the regular procedure.

2. Simplified procedure Salaries and wages base.

- a. Establish the total amount of salaries and wages paid to all employees of the institution.
- b. Establish an F&A cost pool consisting of the expenditures (exclusive of capital items and other costs specifically identified as unallowable) that customarily are classified under the following titles or their equivalents:
 - (1) General administration and general expenses (exclusive of costs of student administration and services, student activities, student aid, and

scholarships).

(2) Operation and maintenance of physical plant; and depreciation and use allowances; after appropriate adjustment for costs applicable to other institutional activities.

(3) Library.

(4) Department administration expenses, which will be computed as 20 percent of the salaries and expenses of deans and heads of departments.

In those cases where expenditures classified under subsection (1) have previously been allocated to other institutional activities, they may be included in the F&A cost pool. The total amount of salaries and wages included in the F&A cost pool must be separately identified.

- c. Establish a salary and wage distribution base, determined by deducting from the total of salaries and wages as established in subsection a the amount of salaries and wages included under subsection b.
 - d. Establish the F&A cost rate, determined by dividing the amount in the F&A cost pool, subsection b, by the amount of the distribution base, subsection c.
 - e. Apply the F&A cost rate to direct salaries and wages for individual agreements to determine the amount of F&A costs allocable to such agreements.
3. Simplified procedure Modified total direct cost base.

- a. Establish the total costs incurred by the institution for the base period.
- b. Establish a F&A cost pool consisting of the expenditures (exclusive of capital items and other costs specifically identified as unallowable) that customarily are classified under the following titles or their equivalents:

(1) General administration and general expenses (exclusive of costs of student administration and services, student activities, student aid, and scholarships).

(2) Operation and maintenance of physical plant; and depreciation and use allowances; after appropriate adjustment for costs applicable to other institutional activities.

(3) Library.

(4) Department administration expenses, which will be computed as 20 percent of the salaries and expenses of deans and heads of departments.

In those cases where expenditures classified under subsection (1) have previously been allocated to other institutional activities, they may be included in the F&A cost pool. The modified total direct costs amount

included in the F&A cost pool must be separately identified.

- c. Establish a modified total direct cost distribution base, as defined in Section G.2, that consists of all institution's direct functions.
- d. Establish the F&A cost rate, determined by dividing the amount in the F&A cost pool, subsection b, by the amount of the distribution base, subsection c.
- e. Apply the F&A cost rate to the modified total direct costs for individual agreements to determine the amount of F&A costs allocable to such agreements.

J. General provisions for selected items of cost.

Sections 1 through 54 provide principles to be applied in establishing the allowability of certain items involved in determining cost. These principles should apply irrespective of whether a particular item of cost is properly treated as direct cost or F&A cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost. In case of a discrepancy between the provisions of a specific sponsored agreement and the provisions below, the agreement should govern.

1. *Advertising and public relations costs.*

- a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.
- b. The term public relations includes community relations and means those activities dedicated to maintaining the image of the institution or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.
- c. The only allowable advertising costs are those that are solely for:
 - (1) The recruitment of personnel required for the performance by the institution of obligations arising under a sponsored agreement (See also subsection b. of section J.42, Recruiting);
 - (2) The procurement of goods and services for the performance of a sponsored agreement;
 - (3) The disposal of scrap or surplus materials acquired in the performance of a sponsored agreement except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or
 - (4) Other specific purposes necessary to meet the requirements of the sponsored agreement.

TAB 6

Hearing: 5/25/89
File Number: CSM-4206
Staff: Deborah Fraga-Decker
WP 0366d

PROPOSED PARAMETERS AND GUIDELINES AMENDMENTS
Chapter 1, Statutes of 1984, 2nd E.S.
Chapter 1118, Statutes of 1987
Health Fee Elimination ✓

Executive Summary

At its hearing of November 20, 1986, the Commission on State Mandates found that Chapter 1, Statutes of 1984, 2nd E.S., imposed state mandated costs upon local community college districts by (1) requiring those community college districts which provided health services for which it was authorized to and did charge a fee to maintain such health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter and (2) repealing the district's authority to charge a health fee. The requirements of this statute would repeal on December 31, 1987, unless subsequent legislation was enacted.

Chapter 1118, Statutes of 1987, was enacted September 24, 1987, and became effective January 1, 1988. Chapter 1118/87 modified the requirements contained in Chapter 1/84, 2nd E.S., to require those community college districts which provided health services in fiscal year 1986-87 to maintain such health services in the 1987-88 fiscal year and each fiscal year thereafter. Additionally, the language contained in Chapter 1/84, 2nd E.S., which repealed the districts' authority to charge a health fee to cover the costs of the health services program was allowed to sunset, thereby reinstating the districts' authority to charge a fee as specified. Parameters and guidelines amendments are appropriate to address the changes contained in Chapter 1118/87 because this statute amended the same Education Code sections previously enacted by Chapter 1/84, 2nd E.S., and found to contain a mandate.

Commission staff included the Department of Finance suggested non-substantive amendment to the staff's proposed parameters and guidelines amendments. The Chancellor's Office, the State Controller's Office, and the claimant are in agreement with these amendments. Therefore, staff recommends that the Commission adopt the parameters and guidelines amendments as requested by the Chancellor's Office and as developed by staff.

Claimant

Rio Hondo Community College District

Requesting Party

California Community Colleges Chancellor's Office

Chronology

12/2/85 Test Claim filed with Commission on State Mandates.
7/24/86 Test Claim continued at claimant's request.
11/20/86 Commission approved mandate.
1/22/87 Commission adopted Statement of Decision.
4/9/87 Claimant submitted proposed parameters and guidelines.
8/27/87 Commission adopted parameters and guidelines
10/22/87 Commission adopted cost estimate
9/28/88 Mandate funded in Commission's Claims Bill, Chapter 1425/88.

Summary of Mandate

Chapter 1/84, 2nd E.S., effective July 1, 1984, repealed Education Code (EC) Section 72246 which had authorized community college districts to charge a health fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. The statute also required that any community college district which provided health services for which it was authorized to charge a fee shall maintain health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter.

Prior to the passage of Chapter 1/84, 2nd E.S., the implementation of a health services program was at the local community college district's option. If implemented, the respective community college district had the authority to charge a health fee up to \$7.50 per semester for day and evening students, and \$5 per summer session.

Proposed Amendments

The Community Colleges Chancellor's Office (Chancellor's Office) has requested parameters and guidelines amendments be made to address the changes in mandated activities effectuated by Chapter 1118/87. (Attachment G) In order to expedite the process, staff has developed language to accomplish the following: (1) change the eligible claimants to those community college districts which provided a health services program in fiscal year 1986-87; and (2) change the offsetting savings and other reimbursements to include the reinstated authority to charge a health fee. (Attachment B)

Recommendations

The Department of Finance (DOF) proposed one non-substantive amendment to clarify the effect of the fee authority language on the scope of the reimbursable costs. With this amendment, the DOF believes the amendments to the parameters and guidelines are appropriate for this mandate and recommends the Commission adopt them. (Attachment C)

The Chancellor's Office recommends that the Commission approve the amended parameters and guidelines developed by staff with the additional language suggested by the DOF. (Attachment D)

The State Controller's Office (SCO), upon review of the proposed amendments, finds the proposals proper and acceptable. (Attachment E)

The claimant, in its recommendation, states its belief that the revisions are appropriate and concurs with the proposed changes. (Attachment F)

Staff Analysis

Issue 1: Eligible Claimants

The mandate found in Chapter 1/84, 2nd E.S., was for a new program with a required maintenance of effort at the fiscal year 1983-84 level. Chapter 1118/87 superseded that level of service by requiring that community college districts which provided a health services program in fiscal year 1986-87 maintain that level of effort in fiscal year 1987-88 and each subsequent year thereafter. Additionally, this expanded the group of eligible claimants because the requirement is no longer imposed on only those community college districts which had charged a health fee for the program. At the time of enactment of Chapter 1118/87, there were 11 community college districts which provided the health services program but had never charged a health fee for the service.

Therefore, staff has amended the language in Item III. "Eligible Claimants" to reflect this change in the scope of the mandate.

Issue 2: Reimbursement Alternatives

In response to Chapter 1/84, 2nd E.S., Item VI.B. contained two alternatives for claiming reimbursement costs. This gave claimants a choice between claiming actual costs for providing the health services program, or funding the program as was done prior to the mandate when a health fee could be charged.

The first alternative was in Item VI.B.1. and provided for the use of the formula which the eligible claimants were authorized to utilize prior to the implementation of Chapter 1/84, 2nd E.S.--total eligible enrollment multiplied by the health fee charged per student in fiscal year 1983-84. With the sunset of the repeal of the health fee authority as contained in Chapter 1/84, 2nd E.S., claimants can now charge the health fee as was allowed prior to fiscal year 1983-84, thereby funding the program as was done prior to the mandate. Therefore, this alternative is no longer applicable to this mandate and has been deleted by staff.

The second alternative was in Item VI.B.2. and provided for the claiming of actual costs involved in maintaining a health services program at the fiscal year 1983-84 level. This alternative is now the sole method of reimbursement for this mandate. However, it has been amended to reflect that Chapter 1118/87 requires a maintenance of effort at the fiscal year 1986-87 level.

Issue 3: Offsetting Savings and Other Reimbursements

With the sunset of the repeal of the fee authority contained in Chapter 1/84, 2nd E.S., Education Code (EC) section 72246(a) again provides community college districts with the authority to charge a health fee as follows:

"72246.(a) The governing board of a district maintaining a community college may require community college students to pay a fee in the total amount of not more than seven dollars and fifty cents (\$7.50) for each semester, and five dollars (\$5) for summer school, or five dollars (\$5) for each quarter for health supervision and services, including direct or indirect medical and hospitalization services, or the operation of a student health center or centers, authorized by Section 72244, or both."

Staff amended Item "VIII. Offsetting Savings and Other Reimbursements" to reflect the reinstatement of this fee authority.

In response to that amendment, the DOF has proposed the addition of the following language to Item VIII. to clarify the impact of the fee authority on claimants' reimbursable costs:

"If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied."

Staff concurs with the DOF proposed language which does not substantively change the scope of Item VIII.

Issue 4: Editorial Changes

In preparing the proposed parameters and guidelines amendments, it was not necessary for staff to make any of the normal editorial changes as the original parameters and guidelines contained the language usually adopted by the commission.

Staff, the DOF, the Chancellor's Office, the SCO, and the claimant are in agreement with the recommended amendments which are shown in Attachment A with additions indicated by underlining and deletions by strikeout.

Staff Recommendation

Staff recommends the adoption of the staff's proposed parameters and guidelines amendments, which are based on the original parameters and guidelines adopted in response to Chapter 1/84, 2nd E.S., and amended in response to Chapter 1118/87, as well as incorporating the amendment recommended by the DOF. All parties concur with these amendments.

PARAMETERS AND GUIDELINES
Chapter 1118, Statutes of 1987, ~~2nd~~ ~~11/2/87~~
Health Fee Elimination

I. SUMMARY OF MANDATE

Chapter 1, Statutes of 1984, 2nd E.S. repealed Education Code Section 72246 which had authorized community college districts to charge a health fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. This statute also required that health services for which a community college district charged a fee during the 1983-84 fiscal year had to be maintained at that level in the 1984-85 fiscal year and every year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community colleges districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 to require any community college district that provided health services in 1986-87 to maintain health services at the level provided during the 1986-87 fiscal year in 1987-88 and each fiscal year thereafter.

II. COMMISSION ON STATE MANDATES' DECISION

At its hearing on November 20, 1986, the Commission on State Mandates determined that Chapter 1, Statutes of 1984, 2nd E.S. imposed a "new program" upon community college districts by requiring any community college district which provided health services for which it was authorized to charge a fee pursuant to former Section 72246 in the 1983-84 fiscal year to maintain health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter. This maintenance of effort requirement applies to all community college districts which levied a health services fee in the 1983-84 fiscal year, regardless of the extent to which the health services fees collected offset the actual costs of providing health services at the 1983-84 fiscal year level.

At its hearing of April 27, 1989, the Commission determined that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to apply to all community college districts which provided health services in fiscal year 1986-87 and required them to maintain that level in fiscal year 1987-88 and each fiscal year thereafter.

III. ELIGIBLE CLAIMANTS

Community college districts which provided health services for ~~the~~ in 1986-87 fiscal year and continue to provide the same services as a result of this mandate are eligible to claim reimbursement of those costs.

IV. PERIOD OF REIMBURSEMENT

Chapter 1, Statutes of 1984, 2nd E.S., became effective July 1, 1984. Section 17557 of the Government Code states that a test claim must be submitted on or before November 30th following a given fiscal year to establish for that fiscal year. The test claim for this mandate was filed on November 27, 1985; therefore, costs incurred on or after July 1, 1984, are reimbursable. Chapter 1118, Statutes of 1987, became effective January 1, 1988. Title 2, California Code of Regulations, section 1185.3(a) states that a parameters and guidelines amendment filed before the deadline for initial claims as specified in the Claiming Instructions shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines; therefore, costs incurred on or after January 1, 1988, for Chapter 1118, Statutes of 1987, are reimbursable.

Actual costs for one fiscal year should be included in each claim. Estimated costs for the subsequent year may be included on the same claim if applicable. Pursuant to Section 17561(d)(3) of the Government Code, all claims for reimbursement of costs shall be submitted within 120 days of notification by the State Controller of the enactment of the claims bill.

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.

V. REIMBURSEMENTABLE COSTS

A. Scope of Mandate

Eligible community college districts shall be reimbursed for the costs of providing a health services program ~~with the authority of the authority~~ ~~to the authority~~. Only services provided ~~for the~~ in 1986-87 fiscal year may be claimed.

B. Reimbursable Activities

For each eligible claimant, the following cost items are reimbursable to the extent they were provided by the community college district in fiscal year ~~1986-87~~ 1986-87:

ACCIDENT REPORTS

APPOINTMENTS

- College Physician - Surgeon
 - Dermatology, Family Practice, Internal Medicine
- Outside Physician
- Dental Services
- Outside Labs (X-ray, etc.)
- Psychologist, full services
- Cancel/Change Appointments
- R.N.
- Check Appointments

ASSESSMENT, INTERVENTION & COUNSELING

- Birth Control
- Lab Reports
- Nutrition
- Test Results (office)
- VD
- Other Medical Problems
- CD
- URI
- ENT
- Eye/Vision
- Derm./Allergy
- Gyn/Pregnancy Services
- Neuro
- Ortho
- GU
- Dental
- GI
- Stress Counseling
- Crisis Intervention
- Child Abuse Reporting and Counseling
- Substance Abuse Identification and Counseling
- Aids
- Eating Disorders
- Weight Control
- Personal Hygiene
- Burnout

EXAMINATIONS (Minor Illnesses)
Recheck Minor Injury

HEALTH TALKS OR FAIRS - INFORMATION

- Sexually Transmitted Disease
- Drugs
- Aids
- Child Abuse
- Birth Control/Family Planning
- Stop Smoking
- Etc.
- Library - videos and cassettes

FIRST AID (Major Emergencies)

FIRST AID (Minor Emergencies)

FIRST AID KITS (Filled)

IMMUNIZATIONS

- Diphtheria/Tetanus
- Measles/Rubella
- Influenza
- Information

INSURANCE

- On Campus Accident
- Voluntary
- Insurance Inquiry/Claim Administration

LABORATORY TESTS DONE
Inquiry/Interpretation
Pap Smears

PHYSICALS
Employees
Students
Athletes

MEDICATIONS (dispensed OTC for misc. illnesses)
Antacids
Antidiarrhial
Antihistamines
Aspirin, Tylenol, etc.
Skin rash preparations
Misc.
Eye drops
Ear drops
Toothache - Oil cloves
Stingkill
Midol - Menstrual Cramps

PARKING CARDS/ELEVATOR KEYS
Tokens
Return card/key
Parking inquiry
Elevator passes
Temporary handicapped parking permits

REFERRALS TO OUTSIDE AGENCIES
Private Medical Doctor
Health Department
Clinic
Dental
Counseling Centers
Crisis Centers
Transitional Living Facilities (Battered/Homeless Women)
Family Planning Facilities
Other Health Agencies

TESTS
Blood Pressure
Hearing
Tuberculosis
Reading
Information
Vision
Glucometer
Urinalysis
Hemoglobin
E.K.G.
Strep A testing
P.G. testing
Monospot
Hemacult
Misc.

MISCELLANEOUS

Absence Excuses/PE Waiver
Allergy Injections
Band-aids
Booklets/Pamphlets
Dressing Change
Rest
Suture Removal
Temperature
Weigh
Misc.
Information
Report/Form
Wart Removal

COMMITTEES

Safety
Environmental
Disaster Planning

SAFETY DATA SHEETS

Central file

X-RAY SERVICES

COMMUNICABLE DISEASE CONTROL

BODY FAT MEASUREMENTS

MINOR SURGERIES

SELF-ESTEEM GROUPS

MENTAL HEALTH CRISIS

AA GROUP

ADULT CHILDREN OF ALCOHOLICS GROUP

WORKSHOPS

Test Anxiety
Stress Management
Communication Skills
Weight Loss
Assertiveness Skills

VI. CLAIM PREPARATION

Each claim for reimbursement pursuant to this mandate must be timely filed and set forth a list of each item for which reimbursement is claimed under this mandate. // *RIght of CHoice/Day/Chin/costs/under one/of/two/alternatives // RIght/amount/previously/collected/per student/and/enrollment/cost // of/RY/actual/costs/of/program*

A. Description of Activity

1. Show the total number of full-time students enrolled per semester/quarter.
2. Show the total number of full-time students enrolled in the summer program.
3. Show the total number of part-time students enrolled per semester/quarter.
4. Show the total number of part-time students enrolled in the summer program.

B. Claiming/Alternatives

Claimed costs should be supported by the following information:

Alternative/1//Fees/Previously/Collected/in/1983-84/Fiscal/Year/

1/ Fees/collected/in/the/1983-84/fiscal/year/for/support/the/health/service/program/

2/ Total/number/of/students/under/item/Y1/R/Y//through/4/above///Using/this/alternative//the/total/amount claimed/would/be/item/Y1/B/Y//multiplied/by/item Y1/B/2//with/the/total/amount/reimbursed/increased/by the/applicable/multiplier/rate/deduction/

Alternative/2///Actual Costs of Claim Year for Providing 1986-87 Fiscal Year Program Level of Service.

1. Employee Salaries and Benefits

Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

2. Services and Supplies

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

3. Allowable Overhead Cost

Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.

VII. SUPPORTING DATA

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. This would include documentation for the fiscal year 1987-88 program to substantiate a maintenance of effort. These documents must be kept on file by the agency submitting the claim for a period of no less than three years from the date of the final payment of the claim pursuant to this mandate, and made available on the request of the State Controller or his agent.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim. This shall include the amount of \$7.50 per full-time student per semester, \$5.00 per full-time student for summer school, or \$5.00 per full-time student per quarter, as authorized by Education Code section 72246(a). This shall also include payments (fees) now received from individuals other than students who were not covered by former Education Code Section 72246 for health services.

IX. REQUIRED CERTIFICATION

The following certification must accompany the claim:

I DO HEREBY CERTIFY under penalty of perjury:

THAT the foregoing is true and correct;

THAT Section 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with;

and

THAT I am the person authorized by the local agency to file claims for funds with the State of California.

Signature of Authorized Representative

Date

Title

Telephone No.

CHANCELLOR'S OFFICE

GEORGE DEUKMEJIAN, Governor

CALIFORNIA COMMUNITY COLLEGES

NINTH STREET
SACRAMENTO, CALIFORNIA 95814
(916) 445-8732 445-1163



February 22, 1989



Mr. Robert W. Eich
Executive Director
Commission on State Mandates
1130 "K" Street, Suite LL50
Sacramento, CA 95814-3927

Dear Mr. Eich:

As you know, the Commission on August 27, 1987 adopted Parameters and Guidelines for claiming reimbursements of mandated costs related to community college health services. Fees formerly collected by community colleges had been eliminated by Chapter 1, Statutes of 1984, Second Extraordinary Session. Last year's mandate claims bill (AB 2763) included funding to pay all these claims through 1988-89.

The Governor's partial approval of AB 2763 last September included a stipulation that claims for the current year would be paid this fiscal year, but prior-year claims will be paid in equal installments from the next three budget acts. The Governor did not address the fact that the ongoing costs of providing the mandated level of service will continue to exceed the maximum permissible fee of \$7.50 per student per semester.

On behalf of all eligible community college districts, the Chancellor's Office proposes the following changes in the Parameters and Guidelines:

- o Payment of 1988-89 mandated costs in excess of maximum permissible fees. (This amount is payable from AB 2763.)
- o Payment of all prior-year claims in installments over the next three years. (Funds for these payments will be included in the next 3 budget acts.)
- o Payment of future-years mandated costs in excess of the maximum permissible fees. (No funding has yet been provided for these costs.)

Mr. Eich

2

February 22, 1989

If you have any questions regarding this proposal, please contact Patrick Ryan at (916) 445-1163.

Sincerely,

David Mertes

DAVID MERTES
Chancellor

DM:PR:mh

cc: / Deborah Fraga-Decker, CSM
Douglas Burris
Joseph Newmyer
Gary Cook

State of California

Memorandum

March 22, 1989

To : Deborah Fraga-Decker
Program Analyst
Commission on State Mandates

From : Department of Finance

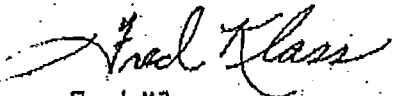
Proposed Amendments to Parameters and Guidelines for Claim No. CSM-4206 -- Chapter 1, Statutes of 1984, 2nd E.S. and Chapter 1118, Statutes of 1987 -- Health Fee Elimination

Pursuant to your request, the Department of Finance has reviewed the proposed amendments to the parameters and guidelines related to community college health services. These amendments, which are requested by the Chancellor's Office, reflect the impact that Chapter 1118/87 has on the original parameters adopted by the Commission for Chapter 1/84 on August 27, 1987. Specifically, Chapter 1118/87:

- (1) requires districts which were providing health services in 1986-87, rather than 1983-84, to continue to provide such services, irrespective of whether or not a fee was charged for the services; and
- (2) allows all districts to again charge a fee of up to \$7.50 per student for the services. In this regard, we would point out that the proposed amendment to "VIII. Offsetting Savings, and Other Reimbursements" could be interpreted to require that, if a district elected not to charge fees it would not have to deduct anything from its claim. We believe that, pursuant to Section 17556 (d) of the Government Code, an amount equal to \$7.50 per student must be deducted whether or not it is actually charged since the district has the authority to levy the fee. We suggest that the following language be added as a second paragraph under "VIII": "If a claimant does not levy the fee authorized by Education Code Section 72246 (a), it shall deduct an amount equal to what it would have received had the fee been levied."

With the amendment described above, we believe the amendments to the parameters and guidelines are appropriate for this mandate and recommend the Commission adopt them at its April 27, 1989, meeting.

Any questions regarding this recommendation should be directed to James M. Apps or Kim Clement of my staff at 324-0043.


Fred Klass
Assistant Program Budget Manager

cc: see second page

cc: Glen Beatie, Stat' Controller's Office
Pat Ryan, Chancel 's Office, Community College
Juliet Musso, Legislative Analyst's Office
Richard Frank, Attorney General

LR:1988-2

CHANCELLOR'S OFFICE

GEORGE DEUKMEJIAN, Governor

CALIFORNIA COMMUNITY COLLEGES

1000 NINTH STREET
 SACRAMENTO, CALIFORNIA 95814
 (916) 445-8752 445-1163



April 3, 1989

Mr. Robert W. Eich
 Executive Director
 Commission on State Mandates
 170 K Street, Suite LL50
 Sacramento, CA 95814

Attention: Ms. Deborah Fraga-Decker

Subject: CSM 4206
 Amendments to Parameters and Guidelines
 Chapter 1, Statutes of 1984, 2nd E.S.
 Chapter 118, Statutes of 1987
Health Fee Elimination

Dear Mr. Eich:

In response to your request of March 8, we have reviewed the proposed language changes necessary to amend the existing parameters and guidelines to meet the requirements of Chapter 1118, Statutes of 1987.

The Department of Finance has also provided us a copy of their suggestion to add the following language in part VIII: "If a claimant does not levy the fee authorized by Education Code Section 72246(a), it shall deduct an amount equal to what it would have received had the fee been levied." This office concurs with their suggestion which is consistent with the law and with our request of February 22.

With the additional language suggested by the Department of Finance, the Chancellor's Office recommends approval of the amended parameters and guidelines as drafted for presentation to the Commission on April 27, 1989.

Sincerely,

DAVID MERTES
 Chancellor

DM:PR:mh

cc: Jim Apps, Department of Finance
 Glen Beatie, State Controller's Office
 Richard Frank, Attorney General's Office
 Juliet Muso, Legislative Analyst's Office
 Douglas Burris
 Joseph Newmyer
 Gary Cook



GRAY DAVIS
Comptroller of the State of California
 P.O. BOX 942850
 SACRAMENTO, CA 94250-0001

April 3, 1989



Ms. Deborah Fraga-Decker
 Program Analyst
 Commission on State Mandates
 1130 K Street, Suite LL50
 Sacramento, CA 95814

Dear Ms. Fraga-Decker:

RE: Proposed Amendments to Parameters and Guidelines: Chapter 1/84, 2nd
 E.S., and Chapter 1118/87 - Health Fee Elimination

We have reviewed the amendments proposed on the above subject and find the proposals proper and acceptable.

However, the Commission may wish to clarify section "VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS" that the required offset is the amount received or would have received per student in the claim year.

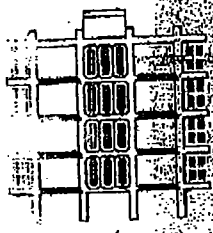
If you have any questions, please call Glen Beatie at 3-8137.

Sincerely,

Glenn Haas, Assistant Chief
 Division of Accounting

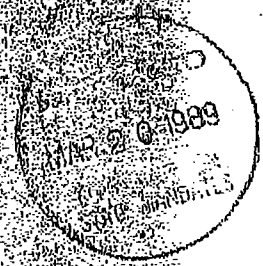
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HRI/BO

RIO HONDO COMMUNITY COLLEGE DISTRICT
3600 Workman Mill Road • Whittier, CA 90608 • Phone (214) 692-0921



March 16, 1989

Ms. Deborah Fraga-Decker
Program Analyst
Commission on State Mandates
1130 K Street, Suite 1150
Sacramento, CA 95814

REFERENCE: CSM-4206
AMENDMENTS TO PARAMETERS AND GUIDELINES
CHAPTER 1, STATUTES OF 1984, 2ND E.S.
CHAPTER 1118, STATUTES OF 1987
HEALTH FEE ELIMINATION

Dear Deborah:

We have reviewed your letter of March 7 to Chancellor David Montes and the attached amendments to the health fee parameters and guidelines. We believe these revisions to be most appropriate and concur totally with the changes you have proposed.

I would like to thank you again for your expertise and helpfulness throughout this entire process.

Yours very truly,

Timothy M. Wood
Vice President
Administrative Affairs

TMW:hh

TAB 7

MINUTES

COMMISSION ON STATE MANDATES

May 25, 1989

10:00 a.m.

State Capitol, Room 437
Sacramento, California

Present were: Chairperson Russell Gould, Chief Deputy Director, Department of Finance; Fred R. Buenrostro, Representative of the State Treasurer; D. Robert Shuman, Representative of the State Controller; Robert Martinez, Director, Office of Planning and Research; and Robert C. Creighton, Public Member.

There being a quorum present, Chairperson Gould called the meeting to order at 10:02 a.m.

Item 1 Minutes

Chairperson Gould asked if there were any corrections or additions to the minutes of the Commission's hearing of April 27, 1989. There were no corrections or additions.

The minutes were adopted without objection.

Consent Calendar

The following items were on the Commission's consent agenda:

- Item 2 Proposed Statement of Decision
Chapter 406, Statutes of 1988
Special Election - Bridges
- Item 3 Proposed Statement of Decision
Chapter 583, Statutes of 1985
Infectious Waste Enforcement
- Item 4 Proposed Statement of Decision
Chapter 980, Statutes of 1984
Court Audits
- Item 5 Proposed Statement of Decision
Chapter 1286, Statutes of 1985
Homeless Mentally Ill

- Item 6 Proposed Parameters and Guidelines Amendment
Chapter 1, Statutes of 1984, 2nd E.S.
Chapter 1118, Statutes of 1987
Health Fee Elimination
- Item 7 Proposed Parameters and Guidelines Amendment
Chapter 8, Statutes of 1988
Democratic Presidential Delegates
- Item 10 Proposed Statewide Cost Estimate
Chapter 498, Statutes of 1983
Education Code Section 48260.5
Notification of Truancy
- Item 12 Proposed Statewide Cost Estimate
Chapter 1226, Statutes of 1984
Chapter 1526, Statutes of 1985
Investment Reports

There being no discussion or appearances on Items 2, 3, 4, 5, 6, 7, 10, and 12, Member Buenrostro moved adoption of the staff recommendation on these items on the consent calendar. Member Martinez seconded the motion. The vote on the motion was unanimous. The motion carried.

The following items were continued:

- Item 13 Proposed Statewide Cost Estimate
Chapter 1335, Statutes of 1986
Trial Court Delay Reduction Act
- Item 16 Test Claim
Chapter 841, Statutes of 1982
Patients' Rights Advocates
- Item 17 Test Claim
Chapter 921, Statutes of 1987
Countywide Tax Rates

The next item to be heard by the Commission was:

- Item 8 Proposed Parameters and Guidelines Amendment
Chapter 961, Statutes of 1975
Collective Bargaining

The party requesting the proposed amendment, Fountain Valley School District, did not appear at the hearing. Carol Miller, appearing on behalf of the Education Mandated Cost Network, stated that the Network was interested in the issue of reimbursing a school district for the time the district Superintendent spent in, or preparing for, collective bargaining issues.

The Commission then discussed the issue of reimbursing the Superintendent's time as a direct cost to the mandated program or as an indirect cost as required by the federal publications OASC-10, and Federal Management Circular 74-4. Upon conclusion of this discussion, the Commission, staff, and Ms. Miller, agreed that the Commission could deny this proposed amendment by the Fountain Valley School District, and Ms. Miller could assist another district in an attempt to amend the parameters and guidelines to allow reimbursement of the Superintendent's cost relative to collective bargaining matters.

Member Creighton then inquired on the issue of holding collective bargaining sessions outside of normal working hours and the number of teachers the parameters and guidelines reimburse for participating in collective bargaining sessions. Ms. Miller stated that because of the classroom disruption that can result from the use of a substitute teacher, bargaining sessions are sometimes held outside of normal work hours for practical reasons. Ms. Miller also stated that the parameters and guidelines permit reimbursement for five substitute teachers.

Member Martinez moved and Member Buenrostro seconded a motion to adopt the staff recommendation to deny the proposed amendments to the parameters and guidelines. The roll call vote on the motion was unanimous. The motion carried.

Item 9 Proposed Statewide Cost Estimate
Chapter 498, Statutes of 1983
Education Code Section 51225.3
Graduation Requirements

Carol Miller appeared on behalf of the claimant, Santa Barbara Unified School District, Jim Apps and Don Enderton appeared on behalf of the Department of Finance, and Rick Knott appeared on behalf of the San Diego Unified School District.

Carol Miller began the discussion on this matter by stating her objection to the Department of Finance raising issues that were already argued in the parameters and guidelines hearings for this mandate. Based on this objection, Ms. Miller requested that the Commission adopt staff's recommendation and allow the Controller's Office to handle any audit exceptions.

Jim Apps stated that because school districts did not report funds that have been received by them, then the data reported in the survey is suspect. Therefore, the Department of Finance is not convinced that the cost estimate based on the data received by the schools is legitimate.

Discussion continued on the validity of the cost estimate and on the figures presented to the Commission for its consideration.

Member Creighton then made a motion to adopt staff's recommendation. Member Shuman seconded the motion. The vote on the motion was: Member Buenrostro, no; Member Creighton, aye; Member Martinez, no; Member Shuman, aye; and Chairperson Gould, no. The motion failed.

Chairperson Gould made an alternative motion that staff, the Department of Finance, and the school districts, conduct a pre-hearing conference and agree on an estimate to be presented to the Commission at a future hearing. Member Buenrostro seconded the motion. The roll call vote on the motion was unanimous. The motion carried.

Item 11 Statewide Cost Estimate
Chapter 815, Statutes of 1979
Chapter 1327, Statutes of 1984
Chapter 757, Statutes of 1985
Short-Doyle Case Management

Pamela Stone, representing the County of Fresno, stated that the county was in agreement with the staff proposed statewide cost estimate of \$20,000,000 for the 1985-86 through 1989-90 fiscal years, and was opposed to the reduction of the costs estimate being proposed by the Department of Mental Health's late filing.

Lynn Whetstone, representing the Department of Mental Health, stated that the Department agrees with the methodology used by Commission staff to develop the cost estimate, however, the Department questioned the manner in which Commission staff extrapolated its survey figures into a statewide estimate. Ms. Whetstone stated that due to the reasons stated in its late filing, the Department believes that the cost estimate be reduced to \$17,280,000.

Member Shuman moved, and Member Martinez seconded a motion to adopt the staff proposed statewide cost estimate of \$20,000,000 for the 1985-86 through 1989-90 fiscal years. The roll call vote on the motion was unanimous. The motion carried.

Item 14 State Mandates Apportionment System
Request for Review of Base Year Entitlement
Chapter 1242, Statutes of 1977
Senior Citizens' Property Tax Postponement

Leslie Hobson appeared on behalf of the claimant, County of Placer, and stated agreement with the staff analysis.

There were no other appearances and no further discussion.

Member Creighton moved approval of the staff recommendation. Member Shuman seconded the motion. The roll call vote was unanimous. The motion carried.

Item 15 Test Claim
Chapter 670, Statutes of 1987
Assigned Judges

Vicki Wajdak and Pamela Stone appeared on behalf of the claimant, County of Fresno. Beth Mullen appeared on behalf of the Administrative Office of

the Courts. Jim Apps appeared on behalf of the Department of Finance. Allan Burdick appeared on behalf of the County Supervisors Association of California. Pamela Stone restated the claimant's position that the revenue losses due to this statute were actually increased costs because Fresno is now required to compensate its part-time justice court judges for work performed in another county while on assignment. Beth Mullen stated her opposition to this interpretation because Fresno's part-time justice court judge cannot be assigned elsewhere until all work required to be performed for Fresno has been completed; therefore, Fresno is only required to compensate the judge for its own work.

There followed discussion by the parties and the Commission regarding the applicability of the Supreme Court's decisions in County of Los Angeles and Lucia Mar. Chairperson Gould asked Commission Counsel Gary Hori whether this statute imposed a new program and higher level of service as contemplated by these two decisions. Mr. Hori stated that it did meet the definition of new program and higher level of service as contemplated by the Supreme Court.

Member Creighton moved to adopt the staff recommendation to find a mandate on counties whose part-time justice court judge is assigned within the home county. Member Shuman seconded the motion. The roll call vote was unanimous. The motion carried.

Item 18 Test Claim
Chapter 1247, Statutes of 1977
Chapter 797, Statutes of 1980
Chapter 1373, Statutes of 1980
Public Law 99-372
Attorney's Fees - Special Education

Chairperson Gould recused himself from the hearing on this item.

Clayton Parker, representing the Newport-Mesa Unified School District, submitted a late filing on the test claim rebutting the staff analysis. Member Creighton stated that he had not had an opportunity to review the late filing and inquired on whether the claim should be heard at this hearing. Staff informed Member Creighton and Member Buenrostro that in reviewing the filing before this item was called, the filing appeared to be summary of the claimant's position on the staff analysis, and that there appeared to be no reason to continue the item.

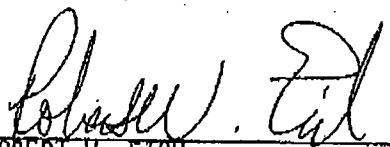
Mr. Parker stated that Commission staff had misstated the events that resulted in the claimant having to pay attorneys' fees to a pupil's guardians, and because of case law, courts do not have any discretion in awarding attorney's fees. Mr. Parker stated that because state legislation has codified the Federal Education of the Handicapped Act, school districts are subject to the provisions of Public Law 94-142 and Public Law 99-372. Member Buenrostro then inquired whether staff was comfortable with discussing the issue of a state executive order incorporating federal law.

Minutes
Hearing of May 25, 1989
Page 6

Staff informed the Commission that it was not comfortable discussing this issue, and further noted that it appeared that Mr. Parker was basing his reasoning for finding P.L. 99-372 to be a state mandated program, on the Board of Control's finding that Chapter 1247, Statutes of 1977, and Chapter 797, Statutes of 1980, were a state mandated program. Staff noted that Board of Control's finding is currently the subject of the litigation in Huff v. Commission on State Mandates (Sacramento County Superior Court Case No. 352295).

Member Creighton moved and Member Martinez seconded a motion to continue this item and have legal counsel and staff review the arguments presented by Mr. Parker. The vote on the motion was unanimous. The motion carried.

With no further items on the agenda, Chairperson Gould adjourned the hearing at 11:45 a.m.



ROBERT W. EICH
Executive Director

RWE:GLH:cm:0224g

**DISTRICT'S
INCORRECT REDUCTION CLAIM
FILED WITH THE
COMMISSION ON STATE MANDATES
ON SEPTEMBER 6, 2005**

COMMISSION ON STATE MANDATES

980 NINTH STREET, SUITE 300
SACRAMENTO, CA 95814
PHONE: (916) 323-3562
FAX: (916) 445-0278
E-mail: csminfo@csm.ca.gov



September 16, 2005

Mr. Keith B. Petersen
SixTen and Associates
5252 Balboa Avenue, Suite 807
San Diego, CA 92117

Ms. Ginny Brummels
Division of Accounting and Reporting
State Controller's Office
3301 C Street, Suite 501
Sacramento, CA 95816

Re: **Incorrect Reduction Claim**

Health Fee Elimination, 05-4206-I-03
Long Beach Community College District, Claimant
Education Code Section 76355
Statutes 1984, Chapter 1, 2nd E.S.; Statutes 1987, Chapter 1118
Fiscal Years 2001-2002, 2002-2003

Dear Mr. Petersen and Ms. Brummels:

On September 6, 2005, the Long Beach Community College District filed an incorrect reduction claim (IRC) with the Commission on State Mandates (Commission) based on the *Health Fee Elimination* program for fiscal years 2001-2002 and 2002-2003. Commission staff determined that the IRC filing is complete.

Government Code section 17551, subdivision (b), requires the Commission to hear and decide upon claims filed by local agencies and school districts that the State Controller's Office (SCO) has incorrectly reduced payments to the local agencies or school districts.

SCO Review and Response. Please file the SCO response and supporting documentation regarding this claim within 90 days of the date of this letter. Please include an explanation of the reason(s) for the reductions and the computation of reimbursements. All documentary evidence must be authenticated by declarations under penalty of perjury signed by persons who are authorized and competent to do so and be based on the declarant's personal knowledge, information or belief. The Commission's regulations also require that the responses (opposition or recommendation) filed with the Commission be simultaneously served on the claimants and their designated representatives, and accompanied by a proof of service. (Cal. Code Regs., tit. 2, § 1185.01.)

The failure of the SCO to respond within this 90-day timeline shall not cause the Commission to delay consideration of this IRC.

Claimant's Rebuttal. Upon receipt of the SCO response, the claimant and interested parties may file rebuttals. The rebuttals are due 30 days from the service date of the response.

Prehearing Conference. A prehearing conference will be scheduled if requested.

Public Hearing and Staff Analysis. The public hearing on this claim will be scheduled after the record closes. A staff analysis will be issued on the IRC at least eight weeks prior to the public hearing.

Dismissal of Incorrect Reduction Claims. Under section 1188.31 of the Commission's regulations, IRCs may be dismissed if postponed or placed on inactive status by the claimant for more than one year. Prior to dismissing a claim, the Commission will provide 60 days notice and opportunity for the claimant to be heard on the proposed dismissal.

Please contact Tina Poole at (916) 323-8220 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Patton".

NANCY PATTON
Assistant Executive Director

Enclosure: Incorrect Reduction Claim Filing - (SCO only)

C-1

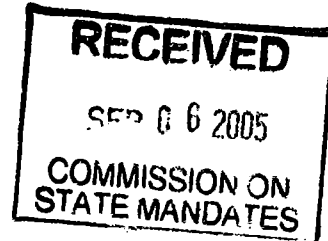
SixTen and Associates

Mandate Reimbursement Services

KEITH B. PETERSEN, MPA, JD, President
252 Balboa Avenue, Suite 807
San Diego, CA 92117

Telephone: (858) 514-8605
Fax: (858) 514-8645
E-Mail: Kbpsixten@aol.com

September 1, 2005



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

RE: Health Fee Elimination
Fiscal Years: 2001-02 through 2002-03
Incorrect Reduction Claim

Dear Ms. Higashi:

Enclosed is the original and two copies of the above referenced incorrect reduction claim for Long Beach Community College District.

SixTen and Associates has been appointed by the District as its representative for this matter and all interested parties should direct their inquiries to me, with a copy as follows:

Irma Ramos, Administrative Dean
Human Resources
Long Beach Community College District
4901 East Carson Street
Long Beach, CA 90808

Thank-you.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith B. Petersen".

Keith B. Petersen

State of California
COMMISSION ON STATE MANDATES
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562
CSM 2 (12/89)

For Official Use Only

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SEP 06 2005

COMMISSION ON
STATE MANDATES

05-4206-I-03

NCORRECT REDUCTION CLAIM FORM

Local Agency or School District Submitting Claim

LONG BEACH COMMUNITY COLLEGE DISTRICT

Contact Person

Telephone Number

Keith B. Petersen, President
SixTen and Associates
5252 Balboa Avenue, Suite 807
San Diego, CA 92117

Voice: 858-514-8605
Fax: 858-514-8645
E-mail: Kbpsixten@aol.com

Address

Irma Ramos, Administrative Dean
Human Resources
Long Beach Community College District
4901 East Carson Street
Long Beach, CA 90808

Representative Organization to be Notified

Telephone Number

Robert Miyashiro, Consultant, Education Mandated Cost Network
c/o School Services of California
1121 L Street, Suite 1060
Sacramento, CA 95814

Voice: 916-446-7517
Fax: 916-446-2011
E-mail: robertm@SSCal.com

This claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office pursuant to section 17561 of the Government Code. This incorrect reduction claim is filed pursuant to section 17561(b) of the Government Code.

CLAIM IDENTIFICATION: Specify Statute or Executive Order

HEALTH FEE ELIMINATION Chapter 1, Statutes of 1984, 2nd E.S. Education Code Section 76355
Chapter 1118, Statutes of 1987

<u>Fiscal Year</u>	<u>Amount of the Incorrect Reduction</u>
2001-2002	\$193,957
2002-2003	\$272,672
Total Amount	\$466,629

IMPORTANT: PLEASE SEE INSTRUCTIONS AND FILING REQUIREMENTS FOR COMPLETING AN INCORRECT REDUCTION CLAIM ON THE REVERSE SIDE.

Name and Title of Authorized Representative

Telephone No.

Irma Ramos, Administrative Dean
Human Resources

Voice: 562-938-4095
Fax: 562-938-4364
E-Mail: iramos@lbcc.edu

Signature of Authorized Representative

Date

X

August 30, 2005

1 Claim Prepared by:
Keith B. Petersen
SixTen and Associates
4 5252 Balboa Avenue, Suite 807
5 San Diego, California 92117
6 Voice: (858) 514-8605
7 Fax: (858) 514-8645

8 BEFORE THE
9 COMMISSION ON STATE MANDATES
10 STATE OF CALIFORNIA

11 INCORRECT REDUCTION CLAIM OF:)
12) No. CSM _____
13)
14) Chapter 1, Statutes of 1984, 2nd E.S.
15) Chapter 1118, Statutes of 1987
16 LONG BEACH)
17 Community College District,) Education Code Section 76355
18)
) Health Fee Elimination
20 Claimant.)
21) Annual Reimbursement Claims:
22)
23) Fiscal Year 2001-02
24) Fiscal Year 2002-03
25)
26 _____)

INCORRECT REDUCTION CLAIM FILING

27 PART I. AUTHORITY FOR THE CLAIM

28 The Commission on State Mandates has the authority pursuant to Government
29 Code Section 17551(d) to "... to hear and decide upon a claim by a local agency or
30 school district, filed on or after January 1, 1985, that the Controller has incorrectly
31 reduced payments to the local agency or school district pursuant to paragraph (2) of
32 subdivision (d) of Section 17561." Long Beach Community College District (hereafter
33 "district" or "claimant") is a school district as defined in Government Code Section

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 17519.¹ Title 2, CCR, Section 1185 (a), requires the claimant to file an incorrect
2 reduction claim with the Commission.

3 This incorrect reduction claim is timely filed. Title 2, CCR, Section 1185 (b),
4 requires incorrect reduction claims to be filed no later than three years following the
5 date of the Controller's remittance advice notifying the claimant of a reduction. A
6 Controller's audit report dated April 27, 2005 has been issued, but no remittance
7 advices have been issued. The audit report constitutes a demand for repayment and
8 adjudication of the claim. On May 14, 2005, the Controller issued "results of review
9 letters" reporting the audit results and amounts due claimant, subject to payment when
10 appropriations are available, and constitutes a payment action.

11 There is no alternative dispute resolution process available from the Controller's
12 office. In response to an audit issued March 10, 2004, Foothill-De Anza Community
13 College attempted to utilize the informal audit review process established by the
14 Controller to resolve factual disputes. Foothill-De Anza was notified by the Controller's
15 legal counsel by letter of July 15, 2004 (attached as Exhibit "A"), that the Controller's
16 informal audit review process was not available for mandate audits and that the proper
17 forum was the Commission on State Mandates.

¹ Government Code Section 17519, added by Chapter 1459, Statutes of 1984,
Section 1:

"'School district' means any school district, community college district, or county
superintendent of schools."

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

PART II. SUMMARY OF THE CLAIM

The Controller conducted a field audit of District's annual reimbursement claims for the District's actual costs of complying with the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session and Chapter 1118, Statutes of 1987) for the period of July 1, 2000 through June 30, 2003. As a result of the audit, the Controller determined that \$466,629 of the claimed costs for were unallowable:

Fiscal Year	Amount Claimed	Audit Adjustment	SCO Payments	Amount Due <State> District
2001-02	\$244,306	\$193,957	\$25,457	\$24,892
2002-03	<u>\$272,672</u>	<u>\$ 272,672</u>	<u>\$ 0</u>	<u>\$ 0</u>
Totals	\$516,978	\$466,629	\$25,457	\$24,892

Since the District has been paid \$25,457 for these claims, the audit report concludes that a remaining amount of \$24,892 should be paid to the District "contingent on available appropriations."

PART III. PREVIOUS INCORRECT REDUCTION CLAIMS

The District has not filed any previous incorrect reduction claims for this mandate program. The District is not aware of any other incorrect reduction claims having been adjudicated on the specific issues or subject matter raised by this incorrect reduction claim.

**Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination**

quarter for health supervision and services, including direct or indirect medical and hospitalization services, or the operation of a student health center or centers, or both.

The governing board of each community college district may increase this fee by the same percentage increase as the Implicit Price Deflator for State and Local Government Purchase of Goods and Services. Whenever that calculation produces an increase of one dollar (\$1) above the existing fee, the fee may be increased by one dollar (\$1).

(b) If, pursuant to this section, a fee is required, the governing board of the district shall decide the amount of the fee, if any, that a part-time student is required to pay. The governing board may decide whether the fee shall be mandatory or optional.

(c) The governing board of a district maintaining a community college shall adopt rules and regulations that exempt the following students from any fee required pursuant to subdivision (a):

(1) Students who depend exclusively upon prayer for healing in accordance with the teachings of a bona fide religious sect, denomination, or organization.

(2) Students who are attending a community college under an approved apprenticeship training program.

(3) Low-income students, including students who demonstrate financial need in accordance with the methodology set forth in federal law or regulation for determining the expected family contribution of students seeking financial aid and students who demonstrate eligibility according to income standards established by the board of governors and contained in Section 58620 of Title 5 of the California Code of Regulations.

(d) All fees collected pursuant to this section shall be deposited in the fund of the district designated by the California Community Colleges Budget and Accounting Manual. These fees shall be expended only to provide health services as specified in regulations adopted by the board of governors.

Authorized expenditures shall not include, among other things, athletic trainers' salaries, athletic insurance, medical supplies for athletics, physical examinations for intercollegiate athletics, ambulance services, the salaries of health professionals for athletic events, any deductible portion of accident claims filed for athletic team members, or any other expense that is not available to all students. No student shall be denied a service supported by student health fees on account of participation in athletic programs.

(e) Any community college district that provided health services in the 1986-87 fiscal year shall maintain health services, at the level provided during the 1986-87 fiscal year, and each fiscal year thereafter. If the cost to maintain that level of service exceeds the limits specified in subdivision (a), the excess cost shall be borne by the

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 Section 72246, effective April 15, 1993.

2 2. Test Claim

3 On December 2, 1985, Rio Hondo Community College District filed a test claim
4 alleging that Chapter 1, Statutes of 1984, 2nd Extraordinary Session, by eliminating the
5 authority to levy a fee and by requiring a maintenance of effort, mandated additional
6 costs by mandating a new program or the higher level of service of an existing program
7 within the meaning of California Constitution Article XIII B, Section 6.

8 On November 20, 1986, the Commission on State Mandates determined that
9 Chapter 1, Statutes of 1984, 2nd Extraordinary Session, imposed a new program upon
10 community college districts by requiring any community college district, which provided
health services for which it was authorized to charge a fee pursuant to former Section
12 72246 in the 1983-1984 fiscal year, to maintain health services at that level in the
13 1984-1985 fiscal year and each fiscal year thereafter.

14 At a hearing on April 27, 1989, the Commission of State Mandates determined
15 that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to
16 apply to all community college districts which provided health services in fiscal year
17 1986-1987 and required them to maintain that level of health services in fiscal year

district.

(f) A district that begins charging a health fee may use funds for startup costs from other district funds and may recover all or part of those funds from health fees collected within the first five years following the commencement of charging the fee.

(g) The board of governors shall adopt regulations that generally describe the types of health services included in the health service program."

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 1987-1988 and each fiscal year thereafter.

2 3. Parameters and Guidelines

3 On August 27, 1987, the original parameters and guidelines were adopted. On
4 May 25, 1989, those parameters and guidelines were amended. A copy of the
5 parameters and guidelines, as amended on May 25, 1989, is attached as Exhibit "B."
6 So far as is relevant to the issues presented below, the parameters and guidelines
7 state:

8 "V. REIMBURSABLE COSTS

9 A. Scope of Mandate

10 Eligible community college districts shall be reimbursed for
11 the costs of providing a health services program. Only
services provided in 1986-87 fiscal year may be claimed. ...

13 VI. CLAIM PREPARATION

14 B... 3. Allowable Overhead Cost

15 Indirect costs may be claimed in the manner
16 described by the State Controller in his claiming
17 instructions.

18 VII. SUPPORTING DATA

19 For auditing purposes, all costs claimed must be traceable to
20 source documents and/or worksheets that show evidence of the
21 validity of such costs....

22 VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

23 Any offsetting savings the claimant experiences as a direct result
24 of this statute must be deducted from the costs claimed. In
25 addition, reimbursement for this mandate received from any

1 source, e.g., federal, state, etc., shall be identified and deducted
2 from this claim. This shall include the amount of \$7.50 per full-time
3 student per semester, \$5.00 per full-time student for summer
4 school, or \$5.00 per full-time student per quarter, as authorized by
5 Education Code section 72246(a). This shall also include
6 payments (fees) received from individuals other than students who
7 are not covered by Education Code Section 72246 for health
8 services. ...”

9 4. Claiming Instructions

10 The Controller has annually issued or revised claiming instructions for the
11 Health Fee Elimination mandate. A copy of the September 1997 revision of the
12 claiming instructions is attached as Exhibit “C.” The September 1997 claiming
13 instructions are believed to be, for the purposes and scope of this incorrect reduction
14 claim, substantially similar to the version extant at the time the claims which are the
15 subject of this Incorrect reduction claim were filed. However, since the Controller’s
16 claim forms and instructions have not been adopted as regulations, they have no force
17 of law, and, therefore, have no effect on the outcome of this incorrect reduction claim.

18 PART V. STATE CONTROLLER CLAIM ADJUDICATION

19 The Controller conducted an audit of District’s annual reimbursement claims for
20 Fiscal years 2001-02 and 2002-03. The audit concluded that only 10% of the
21 District’s costs, as claimed, are allowable. A copy of the April 27, 2005-audit report and
22 the District’s response is attached as Exhibit “D.”

23 VI. CLAIMANT’S RESPONSE TO THE STATE CONTROLLER

24 By letter dated February 4, 2005, the Controller transmitted a copy of its draft

1 audit report. By letter dated February 23, 2005, the District objected to the proposed
2 adjustments set forth in the draft audit report. A copy of District's letter of February 23,
3 2005 is attached as Exhibit "E." The Controller then issued its final audit report without
4 change to the adjustments as stated in the draft audit report.

5 **PART VII. STATEMENT OF THE ISSUES**

6 **Finding 1: Unallowable services and supplies costs**

7 The Controller asserts unallowable services and supplies direct costs totaling
8 \$17,894 for both fiscal years. This total amount comprises \$11,869 in "overclaimed"
9 athletic insurance costs and duplicated charges of \$6,025 for services and supplies for
10 both fiscal years.

Health Insurance Premium

12 The District pays two types of student insurance premiums. The basic and
13 catastrophic coverage for the general student population, and a separate premium
14 amount for intercollegiate athletes. The Controller's adjustment improperly disallows a
15 portion of the general population premium as somehow being related to intercollegiate
16 athletics. The audit report does not describe how the disallowance was calculated.
17 Regardless, the adjustment is inappropriate since student athletes are part of the
18 student population for purpose of the general student population insurance premium.
19 The insurance premiums for athletes pertains to coverage while participating in
20 intercollegiate sports, not while they are attending class or on campus in their capacity

1 a member of the general student population.

2 Services and Supplies

3 The District does not contest this adjustment.

4 **Finding 2 - Overstated indirect cost rates claimed**

5 The Controller asserts that the district overstated its indirect cost rates and costs
6 in the amount of \$139,093 for both fiscal years. This finding is based upon the
7 Controller's statement that "the district did not obtain federal approval for its IRCPs.
8 We calculated indirect cost rates using the methodology allowed by the SCO claiming
9 instructions." Contrary to the Controller's ministerial preferences, there is no
10 requirement in law that the district's indirect cost rate must be "federally" approved, and
11 further the Controller has never specified the federal agencies which have the authority
12 to approve indirect cost rates. Further, it should be noted that the Controller did not
13 determine that the District's rate was excessive or unreasonable.

14 CCFS-311

15 In fact, both the District's method and the Controller's method utilized the same
16 source document, the CCFS-311 annual financial and budget report required by the
17 state. The difference in the claimed and audited methods is in the determination of
18 which of those cost elements are direct costs and which are indirect costs. Indeed,
19 federally "approved" rates which the Controller will accept without further action, are
20 "negotiated" rates calculated by the district and submitted for approval, indicating that

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 the process is not an exact science, but a determination of the relevance and
2 reasonableness of the cost allocation assumptions made for the method used.

3 Regulatory Requirements

4 No particular indirect cost rate calculation is required by law. The parameters
5 and guidelines state that "Indirect costs *may be claimed* in the manner described by the
6 Controller in his claiming instructions." The district claimed these indirect costs "in the
7 manner" described by the Controller. The correct forms were used and the claimed
8 amounts were entered at the correct locations. Further, "may" is not "shall"; the
9 parameters and guidelines do not require that indirect costs be claimed in the manner
10 described by the Controller. In the audit report, the Controller asserts that "the specific
11 directions for the indirect cost rate calculation in the claiming instructions are an
12 extension of *Parameters and Guidelines*." It is not clear what the legal significance of
13 the concept of "extension" might be, regardless, the reference to the claiming
14 instructions in the parameters and guidelines does not change "may" into a "shall."
15 Since the Controller's claiming instructions were never adopted as law, or regulations
16 pursuant to the Administrative Procedure Act, the claiming instructions are merely a
17 statement of the ministerial interests of the Controller and not law.

18 Unreasonable or Excessive

19 Government Code Section 17561(d)(2) requires the Controller to pay claims,
20 provided that the Controller may audit the records of any school district to verify the
21 actual amount of the mandated costs, and may reduce any claim that the Controller

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 determines is excessive or unreasonable. The Controller is authorized to reduce a
2 claim only if it determines the claim to be excessive or unreasonable. Here, the District
3 has computed its ICRPs utilizing cost accounting principles from the Office of
4 Management and Budget Circular A-21, and the Controller has disallowed it without a
5 determination of whether the product of the District's calculation would, or would not, be
6 excessive, unreasonable, or inconsistent with cost accounting principles.

7 Neither State law nor the parameters and guidelines made compliance with the
8 Controller's claiming instructions a condition of reimbursement. The district has
9 followed the parameters and guidelines. The burden of proof is on the Controller to
10 prove that the product of District's calculation is unreasonable, not to recalculate the
11 rate according to its unenforceable ministerial preferences. Therefore, Controller
12 made no determination as to whether the method used by the District was reasonable,
13 but, merely substituted its FAM-29C method for the method reported by the District.
14 The substitution of the FAM-29C method is an arbitrary choice of the Controller, not a
15 "finding" enforceable either by fact or law.

16 **Finding 3: Understated authorized health service fees**

17 This finding is based on the Controller's recalculation of the student health
18 services fees which may have been "collectible" which was then compared to the
19 District's student health fee revenues actually received, resulting in a total adjustment
20 of \$217,409 for the two fiscal years.

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 Education Code Section 76355

2 Education Code Section 76355, subdivision (a), in relevant part, provides: "The
3 governing board of a district maintaining a community college *may require* community
4 college students to pay a fee . . . for health supervision and services . . ." There is no
5 requirement that community colleges levy these fees. The permissive nature of the
6 provision is further illustrated in subdivision (b) which states "*If, pursuant to this*
7 *Section, a fee is required, the governing board of the district shall decide the amount of*
8 *the fee, if any, that a part-time student is required to pay. The governing board may*
9 *decide whether the fee shall be mandatory or optional.*"

10 Parameters and Guidelines

This Controller states that the "*Parameters and Guidelines* requires that the
12 district deduct authorized health fees from claimed costs." The parameters and
13 guidelines do not state this but instead state:

14 "Any offsetting savings that the claimant experiences as a direct result of
15 this statute must be deducted from the costs claimed. In addition,
16 reimbursement for this mandate received from any source, e.g., federal, state,
17 etc., shall be identified and deducted from this claim. This shall include the
18 amount of [student fees] as authorized by Education Code Section 72246(a)³."

19 In order for the district to "experience" these "offsetting savings" the district must
20 actually have collected these fees. Student fees actually collected must be used to
21 offset costs, but not student fees that could have been collected and were not. The use

³ Former Education Code Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by Education Code Section 76355.

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 of the term "any offsetting savings" further illustrates the permissive nature of the fees.

2 Government Code Section 17514

3 The Controller relies upon Government Code Section 17514 for the conclusion
4 that "[t]o the extent community college districts can charge a fee, they are not required
5 to incur a cost." Government Code Section 17514, as added by Chapter 1459, Statutes
6 of 1984, actually states:

7 " Costs mandated by the state" means any increased costs which a local
8 agency or school district is required to incur after July 1, 1980, as a result of any
9 statute enacted on or after January 1, 1975, or any executive order
10 implementing any statute enacted on or after January 1, 1975, which mandates
11 a new program or higher level of service of an existing program within the
12 meaning of Section 6 of Article XIII B of the California Constitution."

13 There is nothing in the language of the statute regarding the authority to charge a fee,
14 any nexus of fee revenue to increased cost, nor any language which describes the
15 legal effect of fees collected.

16 Government Code Section 17556

17 The Controller relies upon Government Code Section 17556 for the conclusion
18 that "the COSM shall not find costs mandated by the State if the school district has the
19 authority to levy fees to pay for the mandated program or increased level of service."

20 Government Code Section 17556 as last amended by Chapter 589/89 actually states:

21 "The commission shall not find costs mandated by the state, as defined in
22 Section 17514, in any claim submitted by a local agency or school district, if after
23 a hearing, the commission finds that: . . .

24 (d) The local agency or school district has the authority to levy service
25 charges, fees, or assessments sufficient to pay for the mandated program or
26 increased level of service. . . ."

Incorrect Reduction Claim of Long Beach Community College District
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1 The Controller misrepresents the law. Government Code Section 17556 prohibits the
2 Commission on State Mandates from finding costs subject to reimbursement, that is,
3 approving a test claim activity for reimbursement, where there is authority to levy fees
4 in an amount sufficient to offset the entire mandated costs. Here, the Commission has
5 already approved the test claim and made a finding of a new program or higher level of
6 service for which the claimants do not have the ability to levy a fee in an amount
7 sufficient to offset the entire mandated costs.

8 Student Health Services Fee Amount

9 The Controller asserts that the district should have collected a student health
10 service fee each semester from non-exempt students in the amount of \$9 or \$12,
depending on the fiscal year and whether the student is enrolled full time or part time.
12 Districts receive notice of these fee amounts from the Chancellor of the California
13 Community Colleges. An example of one such notice is the letter dated March 5, 2001,
14 attached as Exhibit "F." While Education Code Section 76355 provides for an
15 increase in the student health service fee, it did not grant the Chancellor the authority
16 to establish mandatory fee amounts or mandatory fee increases. No state agency was
17 granted that authority by the Education Code, and no state agency has exercised its
18 rulemaking authority to establish mandatory fees amounts. It should be noted that the
19 Chancellor's letter properly states that increasing the amount of the fee is at the option
20 of the district, and that the Chancellor is not asserting that authority. Therefore, the
21 Controller cannot rely upon the Chancellor's notice as a basis to adjust the claim for

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 "collectible" student health services fees.

2 Fees Collected vs. Fees Collectible

3 This issue is one of student health fees revenue actually received, rather than
4 student health fees which might be collected. The Commission determined, as stated
5 in the parameters and guidelines that the student fees "experienced" (*collected*) would
6 reduce the amount subject to reimbursement. Student fees not collected are student
7 fees not "experienced" and as such should not reduce reimbursement. Further, the
8 amount "collectible" will never equal actual revenues collected due to changes in
9 student's BOGG eligibility, bad debt accounts, and refunds.

10 Because districts are not required to collect a fee from students for student
11 health services, and if such a fee is collected, the amount is to be determined by the
12 District and not the Controller, the Controller's adjustment is without legal basis. What
13 claimants are required by the parameters and guidelines to do is to reduce the amount
14 of their claimed costs by the amount of student health services fee revenue actually
15 received. Therefore, student health fees are merely collectible, they are not
16 mandatory, and it is inappropriate to reduce claim amounts by revenues not received.

17 **Finding 4: Understated expenditures and offsetting reimbursements**

18 This adjustment is not material and is not disputed by the district.

19 **Statute of Limitations for Audit**

20 This issue is not a finding of the Controller. The District asserts that the first

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 year of the two claims audited, FY 2001-02, is beyond the statute of limitations for audit
2 when the Controller completed its audit on April 27, 2005. The District raised this issue
3 at the beginning of the audit and in its letter dated February 23, 2005 in response to the
4 draft audit report.

5 Chronology of Claim Action Dates

6	December 6, 2002	FY 2001-02 claim filed by the District (certified mail)
7	August 18, 2004	Entrance conference date.
8	December 31, 2004	FY 2001-02 statute of limitations for audit expires
9	April 27, 2005	Controller's final audit report issued

10 The District's fiscal year 2001-02 claim was mailed to the Controller on
December 6, 2002. According to Government Code Section 17558.5, this claim is
12 subject to audit no later than December 31, 2004. The audit was not completed by this
13 date. Therefore, the audit adjustments for Fiscal Year 2001-02 are barred by the
14 statute of limitations set forth in Government Code Section 17558.5.

15 In its final audit report, the Controller responded as follows: The claim was filed
16 in December 2002. The audit was initiated on August 18, 2004, which is prior to the
17 statutory deadline fo December 2004." Note that the Controller considers the audit
18 "initiated" on the date of the entrance conference. Thus, the Controller is thus
19 asserting that date when the audit was "initiated" is relevant to the period of limitations,
20 and not the date of the audit report. In any case, a review of the legislative history of
21 Government Code Section 17558.5 indicates that the matter of the audit "initiation" date

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 is not relevant to any fiscal year claims which are the subject of this audit.

2 Statutory History

3 Prior to January 1, 1994, no statute specifically governed the statute of
4 limitations for audits of mandate reimbursement claims. Statutes of 1993, Chapter 906,
5 Section 2, operative January 1, 1994, added Government Code Section 17558.5 to
6 establish for the first time a specific statute of limitations for audit of mandate
7 reimbursement claims:

8 "(a) A reimbursement claim for actual costs filed by a local agency or school
9 district pursuant to this chapter is subject to audit by the Controller no later than
10 four years after the end of the calendar year in which the reimbursement claim is
11 filed or last amended. However, if no funds are appropriated for the program for
12 the fiscal year for which the claim is made, the time for the Controller to initiate
13 an audit shall commence to run from the date of initial payment of the claim."

14 Thus, there are two standards. A funded claim is "subject to audit" for four years after
15 the end of the calendar year in which the claim was filed. An "unfunded" claim must
16 have its audit "initiated" within four years of first payment.

17 Statutes of 1995, Chapter 945, Section 13, operative July 1, 1996, repealed and
18 replaced Section 17558.5, changing only the period of limitations:

19 "(a) A reimbursement claim for actual costs filed by a local agency or school
20 district pursuant to this chapter is subject to audit by the Controller no later than
21 two years after the end of the calendar year in which the reimbursement claim is
22 filed or last amended. However, if no funds are appropriated for the program for
23 the fiscal year for which the claim is made, the time for the Controller to initiate
24 an audit shall commence to run from the date of initial payment of the claim."

25 FY 2001-02 is subject to the two-year statute of limitations established by Chapter
26 945/95. FY 2001-02 was beyond audit when the audit report was issued. Since funds

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 were appropriated for the program for all the fiscal years which are the subject of the
2 audit, the alternative measurement date is not applicable, and the potential factual
3 issue of when the audit is initiated is not relevant. The FY 2001-02 claim is subject to
4 this statute, since the claim was filed in December 2002.

5 Statutes of 2002, Chapter 1128, Section 14.5, operative January 1, 2003
6 amended Section 17558.5 to state:

7 “(a) A reimbursement claim for actual costs filed by a local agency or school
8 district pursuant to this chapter is subject to the initiation of an audit by the
9 Controller no later than three years after the ~~end of the calendar year in which~~
10 the date that the actual reimbursement claim is filed or last amended, whichever
11 is later. However, if no funds are appropriated or no payment is made to a
12 claimant for the program for the fiscal year for which the claim is made filed, the
13 time for the Controller to initiate an audit shall commence to run from the date of
14 initial payment of the claim.”

15 The FY 2002-03 claim is subject to this statute, since the claim was filed in
16 January 2004. However, the District does not allege a statute of limitations problem for
17 FY 2002-03. The amendment is pertinent since it indicates this is the first time that the
18 factual issue of the date the audit is “initiated” for mandate programs for which funds
19 are appropriated is introduced. Therefore, at the time the claim is filed, it is impossible
20 for the claimant to know when the statute of limitations will expire, which is contrary to
21 the purpose of a statute of limitations.

22 Statutes of 2004, Chapter 890, Section 18, operative January 1, 2005 amended
23 Section 17558.5 to state:

24 “(a) A reimbursement claim for actual costs filed by a local agency or school
25 district pursuant to this chapter is subject to the initiation of an audit by the

Incorrect Reduction Claim of Long Beach Community College District
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1 Controller no later than three years after the date that the actual reimbursement
2 claim is filed or last amended, whichever is later. However, if no funds are
3 appropriated or no payment is made to a claimant for the program for the fiscal
4 year for which the claim is filed, the time for the Controller to initiate an audit
5 shall commence to run from the date of initial payment of the claim. In any case,
6 an audit shall be completed not later than two years after the date that the audit
7 is commenced.”

8 None of the fiscal period claims which are the subject of the audit are subject to
9 this amended version of Section 17558.5. The amendment is pertinent since it
10 indicates this is the first time that the Controller audits may be completed at a time
11 other than the stated period of limitations.

12 Initiation of An Audit

13 The audit report states that the Controller’s staff “initiated the audit” with the
14 entrance conference on August 18, 2004. Initiation of the audit is not relevant to the
15 annual claims which are the subject of this incorrect reduction claim. The words
16 “initiate an audit” are used only in the second sentence of Section 17558.5, that is, in a
17 situation when no funds are appropriated for the program for the fiscal year for which
18 the claim is made. Then, and only then, is the Controller authorized to “initiate an
19 audit” within two years from the date of initial payment. The claim at issue here were
20 not subject to the “no funds appropriated” provision, they were subject only to the first
21 sentence of the statute, i.e., they was only “subject to audit” through December 2004.
22 The words of the statute are quite clear and unambiguous: this claim is no longer
23 subject to audit after December 31, 2004. The unmistakable language of Section
24 17558.5 is confirmed by the later actions of the Legislature. Chapter 1128, Statutes of

Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination

1 2002, amended subdivision (a) of Government Code Section 17558.5 to change the
2 "subject to audit" language of the first sentence to "subject to the initiation of an audit."
3 Had the Legislature intended the former Section to mean "subject to the initiation of an
4 audit," there would have been no need to amend the statute to now say "subject to the
5 initiation of an audit."

6 The Controller did not complete the audit within the statutory period allowed for
7 the first fiscal year claim included in this audit. The date the audit was "initiated" is not
8 relevant, only the date the audit was completed as evidenced by the (final) Controller's
9 audit report. The audit findings are therefore void for the FY 2001-02 claim.

10 **PART VIII. RELIEF REQUESTED**

The District filed its annual reimbursement claims within the time limits
12 prescribed by the Government Code. The amounts claimed by the District for
13 reimbursement of the costs of implementing the program imposed by Chapter 1,
14 Statutes of 1984, 2nd E.S., Chapter 1118, Statutes of 1987, and Education Code
15 Section 76355 represent the actual costs incurred by the District to carry out this
16 program. These costs were properly claimed pursuant to the Commission's parameters
17 and guidelines. Reimbursement of these costs is required under Article XIII B, Section
18 6 of the California Constitution. The Controller denied reimbursement without any
19 basis in law or fact. The District has met its burden of going forward on this claim by
20 complying with the requirements of Section 1185, Title 2, California Code of
21 Regulations. Because the Controller has enforced and is seeking to enforce these

**Incorrect Reduction Claim of Long Beach Community College District
1/84; 1118/87 Health Fee Elimination**

1 adjustments without benefit of statute or regulation, the burden of proof is now upon the
2 Controller to establish a legal basis for its actions.

3 The District requests that the Commission make findings of fact and law on each
4 and every adjustment made by the Controller and each and every procedural and
5 jurisdictional issue raised in this claim, and order the Controller to correct its audit
6 report findings therefrom.

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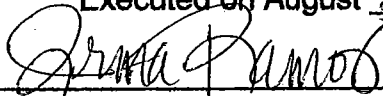
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PART IX. CERTIFICATION

By my signature below, I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim submission is true and complete to the best of my own knowledge or information or belief, and that the attached documents are true and correct copies of documents received from or sent by the state agency which originated the document.

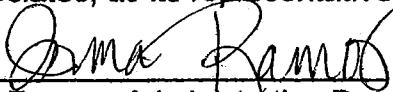
Executed on August 30, at Long Beach, California, by



Irma Ramos, Administrative Dean
Long Beach Community College District
4901 East Carson Street
Long Beach, CA 90808
Voice: 562-938-4095
Fax: 562-938-4364
E-Mail: iramos@lbcc.edu

APPOINTMENT OF REPRESENTATIVE

Long Beach Community College District appoints Keith B. Petersen, SixTen and Associates, as its representative for this incorrect reduction claim.



Irma Ramos, Administrative Dean
Long Beach Community College District

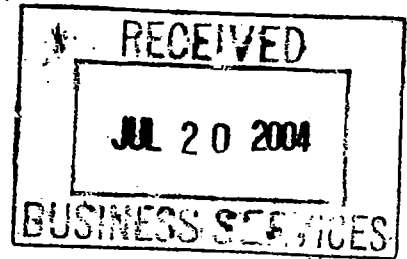
8-30-05

Date

Attachments:

Exhibit "A"	SCO Legal Counsel's Letter of June 15, 2004
Exhibit "B"	Parameters and Guidelines as amended May 25, 1989
Exhibit "C"	Controller's Claiming Instructions September 1997
Exhibit "D"	SCO Audit Report date April 27, 2004
Exhibit "E"	Claimant's Letter dated February 23, 2005
Exhibit "F"	Chancellor's Letter dated March 5, 2001

Exhibit A



STEVE WESTLY
California State Controller

July 15, 2004

Mike Brandy, Vice Chancellor
Foothill-De Anza Community College District
12345 El Monte Road
Los Altos, CA 94022

Re: Foothill-De Anza Community College District Audit

Dear Mr. Brandy:

This is in response to your letter to me dated May 13, 2004, concerning the Controller's Audit of the Health Fee claim.

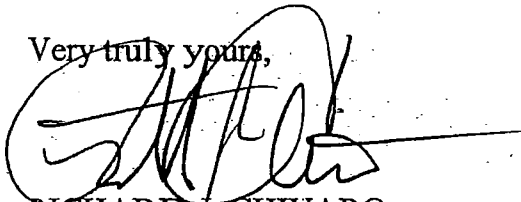
The Controller's informal audit review process was established to resolve factual disputes where no other forum for resolution, other than a judicial proceeding, is available.

The proper forum for resolving issues involving mandated cost programs is through the incorrect reduction process through the Commission on State Mandates. As such, this office will not be scheduling an informal conference for this matter.

However, in light of the concerns expressed in your letter concerning the auditors assigned and the validity of the findings, I am forwarding your letter to Vince Brown, Chief Operating Officer, for his review and response.

If you have any questions you may contact Mr. Vince Brown at (916) 445-2038.

Very truly yours,



RICHARD J. CHIVARO
Chief Counsel

RJC/st

cc: Vincent P. Brown, Chief Operating Officer, State Controller's Office
Jeff Brownfield, Chief, Division of Audits, State Controller's Office

Exhibit B

Adopted: 8/27/87
Amended: 5/25/89

PARAMETERS AND GUIDELINES
Chapter 1, Statutes of 1984, 2nd E.S.
Chapter 1118, Statutes of 1987
Health Fee Elimination

I. SUMMARY OF MANDATE

Chapter 1, Statutes of 1984, 2nd E.S. repealed Education Code Section 72246 which had authorized community college districts to charge a health fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. This statute also required that health services for which a community college district charged a fee during the 1983-84 fiscal year had to be maintained at that level in the 1984-85 fiscal year and every year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community colleges districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 to require any community college district that provided health services in 1986-87 to maintain health services at the level provided during the 1986-87 fiscal year in 1987-88 and each fiscal year thereafter.

II. COMMISSION ON STATE MANDATES' DECISION

At its hearing on November 20, 1986, the Commission on State Mandates determined that Chapter 1, Statutes of 1984, 2nd E.S. imposed a "new program" upon community college districts by requiring any community college district which provided health services for which it was authorized to charge a fee pursuant to former Section 72246 in the 1983-84 fiscal year to maintain health services at the level provided during the 1983-84 fiscal year in the 1984-85 fiscal year and each fiscal year thereafter. This maintenance of effort requirement applies to all community college districts which levied a health services fee in the 1983-84 fiscal year, regardless of the extent to which the health services fees collected offset the actual costs of providing health services at the 1983-84 fiscal year level.

At its hearing of April 27, 1989, the Commission determined that Chapter 1118, Statutes of 1987, amended this maintenance of effort requirement to apply to all community college districts which provided health services in fiscal year 1986-87 and required them to maintain that level in fiscal year 1987-88 and each fiscal year thereafter.

III. ELIGIBLE CLAIMANTS

Community college districts which provided health services in 1986-87 fiscal year and continue to provide the same services as a result of this mandate are eligible to claim reimbursement of those costs.

IV. PERIOD OF REIMBURSEMENT

Chapter 1, Statutes of 1984, 2nd E.S., became effective July 1, 1984. Section 17557 of the Government Code states that a test claim must be submitted on or before November 30th following a given fiscal year to establish for that fiscal year. The test claim for this mandate was filed on November 27, 1985; therefore, costs incurred on or after July 1, 1984, are reimbursable. Chapter 1118, Statutes of 1987, became effective January 1, 1988. Title 2, California Code of Regulations, section 1185.3(a) states that a parameters and guidelines amendment filed before the deadline for initial claims as specified in the Claiming Instructions shall apply to all years eligible for reimbursement as defined in the original parameters and guidelines; therefore, costs incurred on or after January 1, 1988, for Chapter 1118, Statutes of 1987, are reimbursable.

Actual costs for one fiscal year should be included in each claim. Estimated costs for the subsequent year may be included on the same claim if applicable. Pursuant to Section 17561(d)(3) of the Government Code, all claims for reimbursement of costs shall be submitted within 120 days of notification by the State Controller of the enactment of the claims bill.

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.

V. REIMBURSABLE COSTS

A. Scope of Mandate

Eligible community college districts shall be reimbursed for the costs of providing a health services program. Only services provided in 1986-87 fiscal year may be claimed.

B. Reimbursable Activities

For each eligible claimant, the following cost items are reimbursable to the extent they were provided by the community college district in fiscal year 1986-87:

ACCIDENT REPORTS

APPOINTMENTS

College Physician - Surgeon
Dermatology, Family Practice, Internal Medicine
Outside Physician
Dental Services
Outside Labs (X-ray, etc.)
Psychologist, full services
Cancel/Change Appointments
R.N.
Check Appointments

ASSESSMENT, INTERVENTION & COUNSELING

Birth Control
Lab Reports
Nutrition
Test Results (office)
VD
Other Medical Problems
CD
URI
ENT
Eye/Vision
Derm./Allergy
Gyn/Pregnancy Services
Neuro
Ortho
GU
Dental
GI
Stress Counseling
Crisis Intervention
Child Abuse Reporting and Counseling
Substance Abuse Identification and Counseling
Aids
Eating Disorders
Weight Control
Personal Hygiene
Burnout

EXAMINATIONS (Minor Illnesses)

Recheck Minor Injury

HEALTH TALKS OR FAIRS - INFORMATION

Sexually Transmitted Disease
Drugs
Aids
Child Abuse
Birth Control/Family Planning
Stop Smoking
Etc.
Library - videos and cassettes

FIRST AID (Major Emergencies)

FIRST AID (Minor Emergencies)

FIRST AID KITS (Filled)

IMMUNIZATIONS

Diphtheria/Tetanus
Measles/Rubella
Influenza
Information

INSURANCE

On Campus Accident
Voluntary
Insurance Inquiry/Claim Administration

LABORATORY TESTS DONE

Inquiry/Interpretation
Pap Smears

PHYSICALS

Employees
Students
Athletes

MEDICATIONS (dispensed OTC for misc. illnesses)

Antacids
Antidiarrhial
Antihistamines
Aspirin, Tylenol, etc.
Skin rash preparations
Misc.
Eye drops
Ear drops
Toothache - Oil cloves
Stingkill
Midol - Menstrual Cramps

PARKING CARDS/ELEVATOR KEYS

Tokens
Return card/key
Parking inquiry
Elevator passes
Temporary handicapped parking permits

REFERRALS TO OUTSIDE AGENCIES

Private Medical Doctor
Health Department
Clinic
Dental
Counseling Centers
Crisis Centers
Transitional Living Facilities (Battered/Homeless Women)
Family Planning Facilities
Other Health Agencies

TESTS

Blood Pressure
Hearing
Tuberculosis
Reading
Information
Vision
Glucometer
Urinalysis

Hemoglobin
E.K.G.
Strep A testing
P.G. testing
Monospot
Hemacult
Misc.

MISCELLANEOUS

Absence Excuses/PE Waiver
Allergy Injections
Band-aids
Booklets/Pamphlets
Dressing Change
Rest
Suture Removal
Temperature
Weigh
Misc.
Information
Report/Form
Wart Removal

COMMITTEES

Safety
Environmental
Disaster Planning

SAFETY DATA SHEETS

Central file

X-RAY SERVICES

COMMUNICABLE DISEASE CONTROL

BODY FAT MEASUREMENTS

MINOR SURGERIES

SELF-ESTEEM GROUPS

MENTAL HEALTH CRISIS

AA GROUP

ADULT CHILDREN OF ALCOHOLICS GROUP

WORKSHOPS

Test Anxiety
Stress Management
Communication Skills
Weight Loss
Assertiveness Skills

VI. CLAIM PREPARATION

Each claim for reimbursement pursuant to this mandate must be timely filed and set forth a list of each item for which reimbursement is claimed under this mandate.

A. Description of Activity

1. Show the total number of full-time students enrolled per semester/quarter.
2. Show the total number of full-time students enrolled in the summer program.
3. Show the total number of part-time students enrolled per semester/quarter.
4. Show the total number of part-time students enrolled in the summer program.

B. Actual Costs of Claim Year for Providing 1986-87 Fiscal Year Program Level of Service

Claimed costs should be supported by the following information:

1. Employee Salaries and Benefits

Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study.

2. Services and Supplies

Only expenditures which can be identified as a direct cost of the mandate can be claimed. List cost of materials which have been consumed or expended specifically for the purpose of this mandate.

3. Allowable Overhead Cost

Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.

VII. SUPPORTING DATA

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of the validity of such costs. This would include documentation for the fiscal year 1986-87 program to substantiate a maintenance of effort. These documents must be kept on file by the agency submitting the claim for a period of no

less than three years from the date of the final payment of the claim pursuant to this mandate, and made available on the request of the State Controller or his agent.

VIII. OFFSETTING SAVINGS AND OTHER REIMBURSEMENTS

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim. This shall include the amount of \$7.50 per full-time student per semester, \$5.00 per full-time student for summer school, or \$5.00 per full-time student per quarter, as authorized by Education Code section 72246(a). This shall also include payments (fees) received from individuals other than students who are not covered by Education Code Section 72246 for health services.

IX. REQUIRED CERTIFICATION

The following certification must accompany the claim:

I DO HEREBY CERTIFY under penalty of perjury:

THAT the foregoing is true and correct:

THAT Section 1090 to 1096, inclusive, of the Government Code and other applicable provisions of the law have been complied with;

and

THAT I am the person authorized by the local agency to file claims for funds with the State of California.

Signature of Authorized Representative

Date

Title

Telephone No.

Exhibit C

HEALTH FEE ELIMINATION

1. Summary of Chapters 1/84, 2nd E.S., and Chapter 1118/87

Chapter 1, Statutes of 1984, 2nd E.S., repealed Education Code § 72246 which authorized community college districts to charge a fee for the purpose of providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. The statute also required community college districts that charged a fee in the 1983/84 fiscal year to maintain that level of health services in the 1984/85 fiscal year and each fiscal year thereafter. The provisions of this statute would automatically repeal on December 31, 1987, which would reinstate the community college districts' authority to charge a health fee as specified.

Chapter 1118, Statutes of 1987 amended Education Code § 72246 to require any community college district that provided health services in the 1986/87 fiscal year to maintain health services at that level in the 1986/87 fiscal year and each fiscal year thereafter. Chapter 8, Statutes of 1993, has revised the numbering of § 72246 to § 76355.

2. Eligible Claimants

Any community college district incurring increased costs as a result of this mandate is eligible to claim reimbursement of these costs.

3. Appropriations

To determine if current funding is available for this program, refer to the schedule "Appropriations for State Mandated Cost Programs" in the "Annual Claiming Instructions for State Mandated Costs" issued in mid-September of each year to community college presidents.

4. Types of Claims

A. Reimbursement and Estimated Claims

A claimant may file a reimbursement claim and/or an estimated claim. A reimbursement claim details the costs actually incurred for a prior fiscal year. An estimated claim shows the costs to be incurred for the current fiscal year.

B. Minimum Claim

Section 17564(a), Government Code, provides that no claim shall be filed pursuant to Section 17561 unless such a claim exceeds \$200 per program per fiscal year.

5. Filing Deadline

- (1) Refer to Item 3 "Appropriations" to determine if the program is funded for the current fiscal year. If funding is available, an estimated claim must be filed with the State Controller's Office and postmarked by November 30, of the fiscal year in which costs are to be incurred. Timely filed estimated claims will be paid before late claims.

After having received payment for an estimated claim, the claimant must file a reimbursement claim by November 30, of the following fiscal year regardless whether the payment was more or less than the actual costs. If the local agency fails to file a reimbursement claim, monies received must be returned to the State. If no estimated claim was filed, the local agency may file a reimbursement

claim detailing the actual costs incurred for the fiscal year, provided there was an appropriation for the program for that fiscal year. (See item 3 above).

- (2) A reimbursement claim detailing the actual costs must be filed with the State Controller's Office and postmarked by November 30 following the fiscal year in which costs were incurred. If the claim is filed after the deadline but by November 30 of the succeeding fiscal year, the approved claim must be reduced by a late penalty of 10%, not to exceed \$1,000. Claims filed more than one year after the deadline will not be accepted.

6. Reimbursable Components

Eligible claimants will be reimbursed for health service costs at the level of service provided in the 1986/87 fiscal year. The reimbursement will be reduced by the amount of student health fees authorized per the Education Code § 76355.

After January 1, 1993, pursuant to Chapter 8, Statutes of 1993, the fees students were required to pay for health supervision and services were not more than:

\$10.00 per semester

\$5.00 for summer school

\$5.00 for each quarter

Beginning with the summer of 1997, the fees are:

\$11.00 per semester

\$8.00 for summer school or

\$8.00 for each quarter

The district may increase fees by the same percentage increase as the Implicit Price Deflator (IPD) for the state and local government purchase of goods and services. Whenever the IPD calculates an increase of one dollar (\$1) above the existing amount, the fees may be increased by one dollar (\$1).

7. Reimbursement Limitations

- A. If the level at which health services were provided during the fiscal year of reimbursement is less than the level of health services that were provided in the 1986/87 fiscal year, no reimbursement is forthcoming.
- B. Any offsetting savings or reimbursement the claimant received from any source (e.g. federal, state grants, foundations, etc.) as a result of this mandate, shall be identified and deducted so only net local costs are claimed.

8. Claiming Forms and Instructions

The diagram "Illustration of Claim Forms" provides a graphical presentation of forms required to be filed with a claim. A claimant may submit a computer generated report in substitution for forms HFE-1.0, HFE-1.1, and form HFE-2 provided the format of the report and data fields contained within the report are identical to the claim forms included in these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file estimated and reimbursement claims. The State Controller's Office will revise the manual and claim forms as necessary. In such instances, new replacement forms will be mailed to claimants.

A. Form HFE-2, Health Services

This form is used to list the health services the community college provided during the 1986/87 fiscal year and the fiscal year of the reimbursement claim.

B. Form HFE-1.1, Claim Summary

This form is used to compute the allowable increased costs an individual college of the community college district has incurred to comply with the state mandate. The level of health services reported on this form must be supported by official financial records of the community college district. A copy of the document must be submitted with the claim. The amount shown on line (13) of this form is carried to form HFE-1.0.

C. Form HFE-1.0, Claim Summary

This form is used to list the individual colleges that had increased costs due to the state mandate and to compute a total claimable cost for the district. The "Total Amount Claimed", line (04) on this form is carried forward to form FAM-27, line 13, for the reimbursement claim, or line (07) for the estimated claim.

D. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized representative of the local agency. All applicable information from form HFE-1.0 and HFE 1.1 must be carried forward to this form for the State Controller's Office to process the claim for payment.

Illustration of Claim Forms

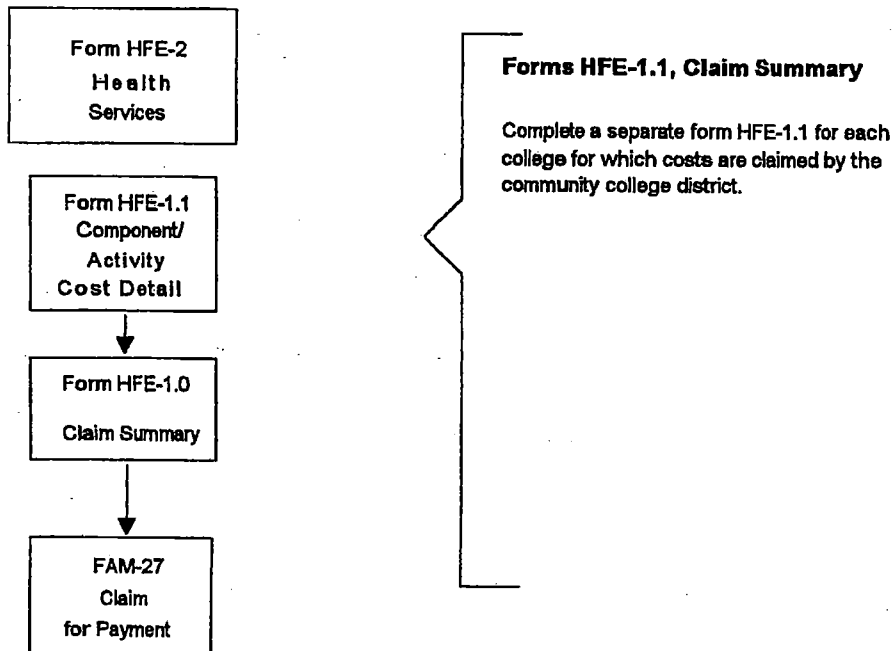


Exhibit D

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HUMAN RESOURCES

LONG BEACH COMMUNITY COLLEGE DISTRICT

Audit Report

HEALTH FEE ELIMINATION PROGRAM

Chapter 1, Statutes of 1984, 2nd Extraordinary Session,
and Chapter 1118, Statutes of 1987

July 1, 2001, through June 30, 2003



STEVE WESTLY
California State Controller

April 2005



STEVE WESTLY
California State Controller

April 27, 2005

Jan Kehoe, Ed.D.
Superintendent-President
Long Beach Community College District
4901 East Carson Street
Long Beach, CA 90808

Dear Dr. Kehoe:

The State Controller's Office audited the claims filed by Long Beach Community College District for costs of the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2001, through June 30, 2003.

The district claimed \$516,978 for the mandated program. Our audit disclosed that \$50,349 is allowable and \$466,629 is unallowable. The unallowable costs occurred primarily because the district overstated its indirect cost rates, understated authorized health service fees, and claimed unallowable costs. The State paid the district \$25,457. The State will pay allowable costs claimed that exceed the amount paid, totaling \$24,892, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

A handwritten signature in cursive script that reads "Vincent P. Brown".

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/ams

cc: Irma Ramos
Administrative Dean
Human Resources
Long Beach Community College District
Ed Monroe, Program Assistant
Fiscal Accountability Section
Chancellor's Office
California Community Colleges
Jeannie Oropeza, Program Budget Manager
Education Systems Unit
Department of Finance

Contents

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Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by Long Beach Community College District for costs of the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session (E.S.), and Chapter 1118, Statutes of 1987) for the period of July 1, 2001, through June 30, 2003. The last day of fieldwork was October 14, 2004.

The district claimed \$516,978 for the mandated program. The audit disclosed that \$50,349 is allowable and \$466,629 is unallowable. The unallowable costs occurred primarily because the district overstated its indirect cost rates, understated authorized health services fees, and claimed unallowable costs. The State paid the district \$25,457. The State will pay allowable costs claimed that exceed the amount paid, totaling \$24,892, contingent upon available appropriations.

Background

Education Code Section 72246 (repealed by Chapter 1, Statutes of 1984, 2nd E.S.) authorizes community college districts to charge a health fee for providing health supervision and services, direct and indirect medical and hospitalization services, and operation of student health centers. This statute also required that health services for which a community college district charged a fee during fiscal year (FY) 1983-84 had to be maintained at that level in FY 1984-85 and every year thereafter. The provisions of this statute would automatically sunset on December 31, 1987, reinstating the community college districts' authority to charge a health fee as specified.

Education Code Section 72246 (amended by Chapter 1118, Statutes of 1987) requires any community college district that provided health services in FY 1986-87 to maintain health services at the level provided during that year in FY 1987-88 and each fiscal year thereafter.

On November 20, 1986, the Commission on State Mandates (COSM) determined that Chapter 1, Statutes of 1984, 2nd E.S., imposed a "new program" upon community college districts by requiring any community college district that provided health services for which it was authorized to charge a fee pursuant to former *Education Code* Section 72246 in FY 1983-84 to maintain health services at the level provided during that year in FY 1984-85 and each fiscal year thereafter. This maintenance-of-effort requirement applies to all community college districts that levied a health services fee in FY 1983-84, regardless of the extent to which the health services fees collected offset the actual costs of providing health services at the FY 1983-84 level.

On April 27, 1989, COSM determined that Chapter 1118, Statutes of 1987, amended this maintenance-of-effort requirement to apply to all community college districts that provided health services in FY 1986-87, requiring them to maintain that level in FY 1987-88 and each fiscal year thereafter.

Parameters and Guidelines establishes state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on August 27, 1987, and amended it on May 25, 1989. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Health Fee Elimination Program for the period of July 1, 2001, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures, as recommended by *Government Auditing Standards*. However, the district declined our request.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Long Beach Community College District claimed \$516,978 for Health Fee Elimination Program costs. Our audit disclosed that \$50,349 is allowable and \$466,629 is unallowable.

For FY 2001-02, the State paid the district \$25,457. Our audit disclosed that \$50,349 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$24,892, contingent upon available appropriations.

For FY 2002-03, the State made no payment to the district. The audit disclosed that none of the costs claimed is allowable.

**Views of
Responsible
Official**

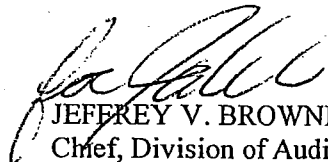
We issued a draft audit report on February 4, 2005. Irma Ramos, Administrative Dean, Human Resources, responded by letter dated February 23, 2005 (Attachment), disagreeing with the audit results. The final audit report includes the district's response.

Based on the district's response, Finding 1 reported in the draft report for \$9,222 has been removed from this final report. Consequently, Findings 1 through 5 in the draft report have been renumbered as Findings 1 through 4.

Finding 1 stated that pregnancy testing claimed during the audit period was not offered during the FY 1996-97 base year and, therefore, the costs were unallowable. The finding was supported by the district's "Fall 1991 LAC Health Services Semester Report" that stated pregnancy testing was "now" offered, among other services. Additional evidence was not available to support that pregnancy testing was not offered in the FY 1996-97 base year.

Restricted Use

This report is solely for the information and use of the Long Beach Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.


JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2001, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 318,568	\$ 318,568	\$ —	
Services and supplies	98,913	90,493	(8,420)	Findings 1, 4
Subtotal	417,481	409,061	(8,420)	
Indirect costs	149,291	75,424	(73,867)	Findings 1, 2, 4
Total health expenditures	566,772	484,485	(82,287)	
Less authorized health fees	(321,995)	(432,828)	(110,833)	Finding 3
Less offsetting savings/reimbursements	—	(837)	(837)	Finding 4
Less cost of services in excess of FY 1986-87 services	(471)	(471)	—	
Total costs	<u>\$ 244,306</u>	50,349	<u>\$ (193,957)</u>	
Less amount paid by the State		(25,457)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 24,892</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 342,109	\$ 342,109	\$ —	
Services and supplies	96,417	87,780	(8,637)	Finding 1
Subtotal	438,526	429,889	(8,637)	
Indirect costs	148,836	77,522	(71,314)	Findings 1, 2
Total health expenditures	587,362	507,411	(79,951)	
Less authorized health fees	(313,843)	(531,252)	(217,409)	Finding 3
Less offsetting savings/reimbursements	(847)	(847)	—	
Total costs	272,672	(24,688)	(297,360)	
Adjustment to eliminate negative balance	—	24,688	24,688	
Net allowable costs	<u>\$ 272,672</u>	—	<u>\$ 272,672</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 2001, through June 30, 2003</u>				
Salaries and benefits	\$ 660,677	\$ 660,677	\$ —	
Services and supplies	195,330	178,273	(17,057)	Findings 1, 4
Subtotal	856,007	838,950	(17,057)	
Indirect costs	298,127	152,946	(145,181)	Findings 1, 2, 4
Total health expenditures	1,154,134	991,896	(162,238)	
Less authorized health fees	(635,838)	(964,080)	(328,242)	Finding 3
Less cost of services in excess of FY 1986-87 services	(471)	(471)	—	
Less offsetting savings/reimbursements	(847)	(1,684)	(837)	Finding 4
Total costs	516,978	25,661	(491,317)	
Adjustment to eliminate negative balance	—	24,688	24,688	
Net allowable costs	\$ 516,978	50,349	\$ (466,629)	
Less amount paid by the State		(25,457)		
Allowable costs claimed in excess of (less than) amount paid		\$ 24,892		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable services and supplies costs

The district overclaimed services and supplies costs totaling \$17,894 during the audit period. The related unallowable indirect costs totaled \$6,241, based on claimed indirect cost rates.

The district overclaimed insurance premiums paid for student basic and catastrophic coverage by \$11,869, because it included unallowable premiums paid for athletic insurance. In addition, the district inadvertently claimed \$6,025 twice for services and supplies.

The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2001-02	2002-03	
Student insurance premiums	\$ (5,857)	\$ (6,012)	\$ (11,869)
Costs claimed twice	(3,400)	(2,625)	(6,025)
Total direct costs	(9,257)	(8,637)	<u>\$ (17,894)</u>
Indirect cost rate claimed	× 35.76%	× 33.94%	
Related indirect costs	(3,310)	(2,931)	\$ (6,241)
Total direct costs (from above)	(9,257)	(8,637)	(17,894)
Audit adjustment	<u>\$ (12,567)</u>	<u>\$ (11,568)</u>	<u>\$ (24,135)</u>

Parameters and Guidelines states that the cost of insurance is reimbursable for the following activities: (1) on campus accident, (2) voluntary, and (3) insurance inquiry/claim administration.

Education Code Section 76355(d) (formerly Section 72246(2)) states that athletic insurance is not an authorized expenditure for health services.

Parameters and Guidelines also states that all costs claimed must be traceable to source documentation that shows evidence of the validity of such costs.

Recommendation

We recommend the district ensure that it claims only costs for health services that are reimbursable under the mandate program. In addition, the district should ensure that all costs claimed are supported by source documentation.

District's Response

The District is still investigating the athletic insurance costs to determine if the amounts reported in the claim related to basic insurance costs for students who also were covered by athletic insurance. However, the final audit report need not be delayed for this work.

SCO's Comment

The finding and recommendation remain unchanged. The district did not provide any additional information supporting the allowability of insurance costs claimed.

**FINDING 2—
Overstated indirect
cost rates claimed**

The district overstated its indirect cost rates, thus overstating its indirect costs by \$139,093 for the audit period.

The district claimed indirect costs based on indirect cost rate proposals (ICRPs) prepared for each fiscal year by an outside consultant. However, the district did not obtain federal approval for its ICRPs. We calculated indirect cost rates using the methodology allowed by the SCO claiming instructions. The calculated indirect costs rates did not support the indirect cost rates claimed. The audited and claimed indirect cost rates are summarized as follows.

	Fiscal Year	
	2001-02	2002-03
Allowable indirect cost rate	18.23%	17.96%
Less claimed indirect cost rate	(35.76)%	(33.94)%
Unsupported indirect cost rate	(17.53)%	(15.98)%

Based on these unsupported indirect cost rates, we made the following audit adjustments.

	Fiscal Year		Total
	2001-02	2002-03	
Allowable costs originally claimed	\$ 403,367	\$ 427,927	
Unsupported indirect cost rate	×(17.53)%	×(15.98)%	
Audit adjustment	\$ (70,710)	\$ (68,383)	\$ (139,093)

Parameters and Guidelines states that indirect costs may be claimed in the manner described in the SCO claiming instructions. Those instructions require that districts obtain federal approval of ICRPs prepared according to Office of Management and Budget (OMB) Circular A-21. As an alternative, districts may use form FAM-29C to compute indirect cost rates. Form FAM-29C uses total expenditures reported in the *California Community College Annual Financial and Budget Report, Expenditures by Activity (CCFS-311)*.

Recommendation

We recommend that the district claim indirect costs based on indirect cost rates computed in accordance with the SCO claiming instructions. The district should obtain federal approval for ICRPs prepared in accordance with OMB Circular A-21. As an alternative, the district should use Form FAM-29C to prepare ICRPs based on the methodology allowed in the SCO claiming instructions.

District's Response

The State Controller asserts that the indirect cost method used by the District was inappropriate since it was not a cost study specifically approved by the federal government, which is one of the several choices allowed by the parameters and guidelines. The parameters and guidelines *do not require* that indirect costs be claimed in the manner described by the State Controller.

The State Controller's claiming instructions were never adopted as rules or regulations, and therefore have no force of law. The burden is on the State Controller to show, either factually or as a matter of law,

that the indirect cost rate method used by the District is excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17651(d) (2). If the State Controller wishes to enforce audit standards for mandated cost reimbursement, the State Controller should comply with the Administrative Procedures Act.

SCO's Comment

The finding and recommendation remain unchanged.

Parameters and Guidelines states that indirect costs may be claimed in the manner described in the SCO's claiming instructions. Therefore, the specific directions for the indirect cost rate calculation in the claiming instructions are an extension of *Parameters and Guidelines*. The SCO's claiming instructions state that community colleges have the option of using a federally approved rate prepared in accordance with OMB Circular A-21 or the SCO's alternate methodology using Form FAM-29C. In this case, the district chose to use indirect cost rates not approved by a federal agency, which is not an option provided by the SCO's claiming instructions.

**FINDING 3—
Understated
authorized health fee
revenues claimed**

For the audit period, the district understated authorized health service fees by \$217,409. The district reported actual revenue received rather than health fees the district was authorized to collect.

The district was unable to retrieve student attendance data from its computer system that was used to calculate the net health fee revenues reported in its reimbursement claims for the audit period. At the district's recommendation, we recalculated authorized health fee revenues using the Student Headcount by Enrollment Status for Long Beach Community College District report available from the California Community Colleges Chancellor's Office Web site, as well as district-prepared reports indicating the number of students who received fee waivers.

Using the student enrollment and exemption data, we calculated the health fees the district was authorized to collect, as shown in the following table.

	<u>Fall</u>	<u>Spring</u>	<u>Summer</u>	<u>Total</u>
<u>Fiscal Year 2001-02</u>				
Student enrollment	\$ 23,157	\$ 27,910	\$ 14,823	
Less allowable health fee exemptions	<u>(11,295)</u>	<u>(11,206)</u>	<u>(4,819)</u>	
Subtotal	11,862	16,704	10,004	
Authorized student health fee	× \$ (12)	× \$ (12)	× \$ (9)	
Authorized health service fees	<u>\$(142,344)</u>	<u>\$(200,448)</u>	<u>\$(90,036)</u>	<u>\$(432,828)</u>
<u>Fiscal Year 2002-03</u>				
Student enrollment	\$ 29,273	\$ 28,939	\$ 16,941	
Less allowable health fee exemptions	<u>(11,499)</u>	<u>(11,991)</u>	<u>(4,209)</u>	
Subtotal	17,774	16,948	12,732	
Authorized student health fee	× \$ (12)	× \$ (12)	× \$ (9)	
Authorized health service fees	<u>\$(213,288)</u>	<u>\$(203,376)</u>	<u>\$(114,588)</u>	<u>\$(531,252)</u>

The following table summarizes the resulting audit adjustment.

	Fiscal Year		Total
	2001-02	2002-03	
Health fee claimed	\$ 321,995	\$ 313,843	\$ 635,838
Less authorized health service fees	(432,828)	(531,252)	(964,080)
Audit adjustment	\$ (110,833)	\$ (217,409)	\$ (328,242)

Parameters and Guidelines requires that the district deduct authorized health fees from claimed costs. *Education Code* Section 76355(c) authorizes health fees for all students except those students who: (1) depend exclusively on prayer for healing; (2) attend a community college under an approved apprenticeship training program; or (3) demonstrate financial need. (*Education Code* Section 76355(a) increased authorized health fees by \$1 effective with the Summer 2001 session.)

Also, *Government Code* Section 17514 states that "costs mandated by the State" means any increased costs that a school district is required to incur. To the extent that community college districts can charge a fee, they are not required to incur a cost. In addition, *Government Code* Section 17556 states that COSM shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

Recommendation

We recommend that the district deduct authorized health service fees from allowable health service program costs on the mandate claim. The district should maintain records to support its calculation of authorized health service fees. This includes records that identify actual student enrollment and students exempt from health fees pursuant to *Education Code* Section 76355(c).

District's Response

The District reported the actual student health services received, rather than utilize an estimate generated by the artificial calculation suggested by the parameters and guidelines. The State Controller alleges that claimants must compute the total student health fees collectible based on the highest "authorized" rate. The State Controller does not provide the factual basis for the calculation of the "authorized" rate, nor provide any reference to the "authorizing" source, nor the legal right of any state entity to "authorize" student health services rates absent rulemaking or compliance with the Administrative Procedures Act by the "authorizing" state agency.

Education Code Section 76355, subdivision (a), states that "The governing board of a district maintaining a community college *may require* community college students to pay a fee . . . for health supervision and services . . ." There is no requirement that community colleges levy these fees. The permissive nature of the provision is further illustrated in subdivision (b) which states "*If*, pursuant to this section, a fee is required, the governing board of the district shall decide the amount of the fee, *if any*, that a part-time student is required

to pay. The governing board may decide whether the fee shall be mandatory or optional." (Emphasis supplied in both instances)

The State Controller asserts that the parameters and guidelines require that health fees authorized by the Education Code must be deducted from the costs claimed. This is a misstatement of the Parameters and Guidelines. The Parameters and Guidelines, as last amended on May 25, 1989, state that "Any offsetting savings . . . must be deducted from the costs claimed . . . This shall include the amount of (student fees) as authorized by Education Code Section 72246(a)¹." Therefore, while student fees actually collected are properly used to offset costs, student fees that could have been collected, but were not, are not an offset.

The State Controller also misconstrues the legal meaning of Government Code Section 17556, which prohibits the Commission on State Mandates from approving test claims when the local government agency has authority to charge a fee sufficient to fund the cost of the mandate. This Commission determined that the mandate was a new program or increased level of service. Even the source of the mandate, Education Code Section 76355, at subdivision (e), allows for the possibility that the "cost to maintain that level of service" will exceed the statutory limit for the student health fees.

SCO's Comment

The finding and recommendation remain unchanged.

As mentioned above, the district was unable to retrieve student attendance data from its computer system that was used to calculate the net health fee revenues reported in its reimbursement claims for the audit period. At the district's recommendation, we recalculated authorized health fee revenues using the Student Headcount by Enrollment Status for Long Beach Community College District report available from the California Community Colleges Chancellor's Office Web site, as well as district-prepared reports indicating the number of students who received fee waivers.

We agree that community college districts may choose not to levy a health services fee. This is true even if *Education Code* Section 76355 provides the districts with the authority to levy such fees. However, the effect of not imposing the health services fee is that the related health services costs do not meet the requirement for mandated costs as defined by *Government Code* Section 17514. Health services costs recoverable through an authorized fee are not costs that the district is required to incur. *Government Code* Section 17556 states that COSM shall not find costs mandated by the State as defined in *Government Code* Section 17514 if the district has authority to levy fees to pay for the mandated program or increased level of service.

**FINDING 4—
Understated
expenditures and
offsetting
reimbursements**

The district underclaimed services and supplies by \$837 in FY 2001-02. The related indirect costs totaled \$153, based on the allowable indirect cost rate claimed for that fiscal year. The district also underclaimed offsetting revenues received in reimbursement of the \$837 expenditure noted above.

The health center expended \$837 to provide TB (tuberculosis) tests for the health center staff, and this amount was reimbursed by the district. The reimbursement was improperly recorded as an offset to expenditures (cost applied) rather than recorded as revenue for services rendered.

The following table summarizes the resulting audit adjustment.

	Fiscal Year 2001-02
Underclaimed services and supplies	\$ 837
Allowable indirect cost rate	× 18.23%
Related indirect costs	153
Total underclaimed services and supplies (from above)	837
Audit adjustment, total health expenditures	\$ 990
Audit adjustment, offsetting reimbursements	\$ (837)

Parameters and Guidelines states that eligible community college districts shall be reimbursed for the costs of providing a health services program. *Parameters and Guidelines* also requires the districts to list the cost of materials that have been consumed or expended specifically for the purpose of this mandate.

Parameters and Guidelines states that reimbursement for this mandate received from any source (e.g., federal, state, etc.) shall be identified and deducted from this claim.

Recommendation

We recommend the district include the expenditure of \$837 for providing TB tests for the health center staff in the direct costs of providing a health services program during FY 2001-02. In addition, the \$837 reimbursement received from the district should be shown as offsetting revenue.

District's Response

The State Controller correctly notes that the District reimbursed the student health services department for TB tests, and that these amounts were offset to expense accounts. The State Controller incorrectly concludes that this is improper. Point in fact, it complies with generally accepted accounting principles and the financial reporting requirements of the California Community College Chancellor's Office. The District is complying with financial reporting requirements. However, for purposes of *mandate cost accounting*, which differs from *financial accounting* in many aspects, the State Controller properly reverses the offset.

SCO's Comment

The finding and recommendation remain unchanged. The district agrees with the net audit adjustment.

**OTHER ISSUE—
Statute of limitations**

The district's response included comments regarding our authority to audit costs claimed for FY 2001-02. The district's response and the SCO's comment follow.

District's Response

The District's Fiscal Year 2001-02 claim was mailed to the State Controller on December 6, 2002. The draft audit report is dated February 4, 2005. According to Government Code Section 17558.5, this claim was subject to audit no later than December 31, 2004. The audit was not completed by this date. Therefore, the proposed audit adjustments for Fiscal Year 2001-02 are barred by the statute of limitations set forth in Government Code Section 17558.5.

SCO's Comment

Government Code Section 17558.5(a), in effect during the audit period, states that a district's reimbursement claim is subject to an audit no later than two years after the end of the calendar year in which the claim is filed or last amended. The claim was filed in December 2002. The audit was initiated on August 18, 2004, which is prior to the statutory deadline of December 2004.

**Attachment—
District's Response to
Draft Audit Report**



5611: 07-27-05
Board of Trustees
Dr. Thomas J. Clark
Jeffrey A. Kellogg
Dianne Theil McNinch
Douglas W. Otto
Roberto Uranga

Superintendent-President
E. Jan Kehoe, Ph.D.

Long Beach City College • Long Beach Community College District
4901 East Carson Street • Long Beach, California 90808

CERTIFIED MAIL # 7000 0520 0020 5926 1881

February 23, 2005

Mr. Jim L. Spano, Chief
Compliance Audits Bureau
California State Controller
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Re: Chapter 1, Statutes of 1984
Health Fee Elimination
State Controller's Audit
Fiscal Years: 2001-02 and 2002-03

Dear Mr. Spano:

This letter is the response of the Long Beach Community College District to the letter to President Kehoe from Vincent P. Brown, Chief Operating Officer, State Controller's Office, dated February 4, 2005, and received by the District on February 14, 2005, which enclosed a draft copy of the State Controller's Office audit report of the District's Health Fee Elimination claims for the period of July 1, 2001 through June 30, 2003.

Statute of Limitations

The District's Fiscal Year 2001-02 claim was mailed to the State Controller on December 6, 2002. The draft audit report is dated February 4, 2005. According to Government Code Section 17558.5, this claim was subject to audit no later than December 31, 2004. The audit was not completed by this date. Therefore, the proposed audit adjustments for Fiscal Year 2001-02 are barred by the statute of limitations set forth in Government Code Section 17558.5.

Finding 1 - Ineligible Health Services-Pregnancy Tests

The State Controller's draft audit report states that pregnancy tests were not available at the college health center in FY 1986-87. The District's Form HFE 2.1 accurately reflects that pregnancy *services* were available in FY1986-87.

The parameters and guidelines state at Part III Eligible Claimants:

"Community college districts which provided health services in 1986-87 fiscal year and continue to provide the same services as a result of the mandate are eligible to claim reimbursement of those costs."

Education Code section 76355, subdivision (e), states:

"Any community college district that provided health services in the 1986-87 fiscal year shall maintain health services, at the level provided during the 1986-87 fiscal year, and each fiscal year thereafter."

Pregnancy tests are just a part of the whole scope of *services* which may comprise pregnancy services. The State Controller, as the audit agency proposing the adjustment, has the burden of proving the factual and legal basis for its adjustments. The State Controller provides no legal basis to conclude that the absence or inclusion of one type of laboratory *test* constitutes a different level of *service* from year to year. It would therefore appear that this finding is based upon the wrong standard for review.

Finding 2 - Unallowable Services and Supplies Costs

The District is still investigating the athletic insurance costs to determine if the amounts reported in the claim related to basic insurance costs for students who also were covered by athletic insurance. However, the final audit report need not be delayed for this work.

Finding 3 - Overstated Indirect Costs Claimed

The State Controller asserts that the indirect cost method used by the District was inappropriate since it was not a cost study specifically approved by the federal government, which is one of the several choices allowed by the parameters and guidelines. The parameters and guidelines *do not require* that indirect costs be claimed in the manner described by the State Controller.

The State Controller's claiming instructions were never adopted as rules or regulations, and therefore have no force of law. The burden is on the State Controller to show, either factually or as a matter of law, that the indirect cost rate method used by the District is excessive or unreasonable, which is the only mandated cost audit standard in

statute (Government Code Section 17651(d) (2)). If the State Controller wishes to enforce audit standards for mandated cost reimbursement, the State Controller should comply with the Administrative Procedures Act.

Finding 4 - Understated Authorized Health Fee Revenues Claimed

The District reported the actual student health services received, rather than utilize an estimate generated by the artificial calculation suggested by the parameters and guidelines. The State Controller alleges that claimants must compute the total student health fees collectible based on the highest "authorized" rate. The State Controller does not provide the factual basis for the calculation of the "authorized" rate, nor provide any reference to the "authorizing" source, nor the legal right of any state entity to "authorize" student health services rates absent rulemaking or compliance with the Administrative Procedures Act by the "authorizing" state agency.

Education Code Section 76355, subdivision (a), states that "The governing board of a district maintaining a community college may require community college students to pay a fee . . . for health supervision and services . . ." There is no requirement that community colleges levy these fees. The permissive nature of the provision is further illustrated in subdivision (b) which states "If, pursuant to this section, a fee is required, the governing board of the district shall decide the amount of the fee, if any, that a part-time student is required to pay. The governing board may decide whether the fee shall be mandatory or optional." (Emphasis supplied in both instances)

The State Controller asserts that the parameters and guidelines require that health fees authorized by the Education Code must be deducted from the costs claimed. This is a misstatement of the Parameters and Guidelines. The Parameters and Guidelines, as last amended on May 25, 1989, state that "Any offsetting savings . . . must be deducted from the costs claimed . . . This shall include the amount of (student fees) as authorized by Education Code Section 72246(a)¹." Therefore, while student fees actually collected are properly used to offset costs, student fees that could have been collected, but were not, are not an offset.

The State Controller also misconstrues the legal meaning of Government Code Section 17556, which prohibits the Commission on State Mandates from approving test claims when the local government agency has authority to charge a fee sufficient to fund the cost of the mandate. The Commission determined that the mandate was a new program or increased level of service. Even the source of the mandate, Education Code Section 76355, at subdivision (e), allows for the possibility that the "cost to

¹ Former Education Code Section 72246 was repealed by Chapter 8, Statutes of 1993, Section 29, and was replaced by Education Code Section 76355.

maintain that level of service" will exceed the statutory limit for the student health fees.

As a final defect, the State Controller does not demonstrate how reporting actual revenues received fails to comply with the law, and indeed, why it is not more accurate for cost accounting purposes than an estimate determined by the fee calculation.

Finding 5 - Understated Expenditures and Offsetting Reimbursements

The State Controller correctly notes that the District reimbursed the student health services department for TB tests, and that these amounts were offset to expense accounts. The State Controller incorrectly concludes that this is improper. Point in fact, it complies with generally accepted accounting principles and the financial reporting requirements of the California Community College Chancellor's Office. The District is complying with financial reporting requirements. However, for purposes of *mandate cost accounting*, which differs from *financial accounting* in many aspects, the State Controller properly reverses the offset.

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The District requests that the audit report be changed to comply with the appropriate application of the Government Code concerning audits of mandate claims.

Sincerely,



Irma Ramos, Administrative Dean
Long Beach Community College District

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>

C05-MCC-001



Exhibit E



Pos	Fax Note	7671	Date	2-23-05	# of pages	1
To	Keith Peterson		From	Jennifer Bartz		
Co./Dept.	Six Ten		Co.	LBCC		
Phone #	858 514 4605		Phone #	562 938 4572		
Fax #	858 514 8645		Fax #	562 938 4364		

Board of Trustees
 Dr. Thomas J. Clark
 Jeffrey A. Kellogg
 Glorrie Thiel McIninch
 Douglas W. Orr
 Roberto Uranga

Superintendent-President
 E. Jan Kehoe, Ph.D.

Will go out in tomorrow's mail. *gmm*

Up on

Long Beach City College • Long Beach Community College District
 4901 East Carson Street • Long Beach, California 90808

CERTIFIED MAIL # 7000 0520 0020 5926 1881

February 23, 2005

Mr. Jim L. Spano, Chief
 Compliance Audits Bureau
 California State Controller
 Division of Audits
 P.O. Box 942850
 Sacramento, CA 94250-5874

Re: Chapter 1, Statutes of 1984
 Health Fee Elimination
 State Controller's Audit
 Fiscal Years: 2001-02 and 2002-03

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Sincerely,



Irma Ramos, Administrative Dean
Long Beach Community College District

Exhibit F

**CALIFORNIA COMMUNITY COLLEGES
CHANCELLOR'S OFFICE**

1102 Q STREET
SACRAMENTO, CA 95814-6511
(916) 445-8752
HTTP://WWW.CCCCO.EDU



March 5, 2001

To: Superintendents/Presidents
Chief Business Officers
Chief Student Services Officers
Health Services Program Directors
Financial Aid Officers
Admissions and Records Officers
Extended Opportunity Program Directors

From: Thomas J. Nussbaum
Chancellor

Subject: Student Health Fee Increase

Education Code Section 76355 provides the governing board of a community college district the option of increasing the student health services fee by the same percentage as the increase in the Implicit Price Deflator for State and Local Government Purchase of Goods and Services. Whenever that calculation produces an increase of one dollar above the existing fee, the fee may be increased by \$1.00.

Based on calculations by the Financial, Economic, and Demographic Unit in the Department of Finance, the Implicit Price Deflator Index has now increased enough since the last fee increase of March 1997 to support a one dollar increase in the student health fees. Effective with the Summer Session of 2001, districts may begin charging a maximum fee of \$12.00 per semester, \$9.00 for summer session, \$9.00 for each intersession of at least four weeks, or \$9.00 for each quarter.

For part-time students, the governing board shall decide the amount of the fee, if any, that the student is required to pay. The governing board may decide whether the fee shall be mandatory or optional.

The governing board operating a health services program must have rules that exempt the following students from any health services fee:

- Students who depend exclusively upon prayer for healing in accordance with the teachings of a bona fide religious sect, denomination, or organization.

- Students who are attending a community college under an approved apprenticeship training program.
- Students who receive Board of Governors Enrollment Fee Waivers, including students who demonstrate financial need in accordance with the methodology set forth in federal law or regulation for determining the expected family contribution of students seeking financial aid and students who demonstrate eligibility according to income standards established by the board of governors and contained in Section 58620 of Title 5 of the California Code of Regulations.

All fees collected pursuant to this section shall be deposited in the Student Health Fee Account in the Restricted General Fund of the district. These fees shall be expended only to provide health services as specified in regulations adopted by the board of governors. Allowable expenditures include health supervision and services, including direct or indirect medical and hospitalization services, or the operation of a student health center or centers, or both. Allowable expenditures exclude athletic-related salaries, services, insurance, insurance deductibles, or any other expense that is not available to all students. No student shall be denied a service supported by student health fee on account of participation in athletic programs.

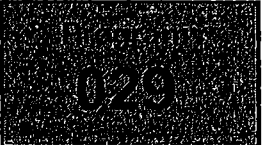
If you have any questions about this memo or about student health services, please contact Mary Gill, Dean, Enrollment Management Unit at 916.323.5951. If you have any questions about the fee increase or the underlying calculations, please contact Patrick Ryan in Fiscal Services Unit at 916.327.6223.

CC: Patrick J. Lenz
Ralph Black
Judith R. James
Frederick E. Harris

I:\Fisc\FiscUnit\01StudentHealthFees\011StuHealthFees.doc

CLAIM FOR PAYMENT
 Pursuant to Government Code Section 17561
HEALTH FEE ELIMINATION

For State Controller Use only
 (19) Program Number 00029
 (20) Date File ___/___/___
 (21) LRS Input ___/___/___



(01) Claimant Identification Number: S-19250			Reimbursement Claim Data	
(02) Mailing Address:			(22) HFE - 1.0, (04)(b)	\$ 244,306
Claimant Name Long Beach Community College District			(23)	
County of Location Los Angeles			(24)	
Street Address 4901 East Carson Street			(25)	
City Long Beach	State CA	Zip Code 90808	(26)	
Type of Claim	Estimated Claim	Reimbursement Claim	(27)	
	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(28)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(29)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(30)	
Fiscal Year of Cost	(06) 2002-2003	(12) 2001-2002	(31)	
Total Claimed Amount	(07) \$ 265,000	(13) \$ 244,306	(32)	
Less: 10% Late Penalty, but not to exceed \$1000		(14) \$ -	(33)	
Less: Estimate Claim Payment Received		(15) \$ 25,457	(34)	
Net Claimed Amount		(16) \$ 218,849	(35)	
Due from State	(08) \$ 265,000	(17) \$ 218,849	(36)	
Due to State		(18) \$ -	(37)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code § 17561, I certify that I am the officer authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, set forth on the attached statements.



Victor R. Collins
 Type or Print Name

Date **NOV 13 2002**
 Victor Collins

Executive Vice-President, Human Resources
 Title

(39) Name of Contact Person or Claim
 SixTen and Associates

Telephone Number (858) 514-8605
 E-Mail Address kbpsixten@aol.com



**MANDATED COSTS
HEALTH FEE ELIMINATION
CLAIM SUMMARY**

**FORM
HFE-1.0**

(01) Claimant: Claimant Name	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> X Estimated <input type="checkbox"/>	Fiscal Year 2001-2002
Long Beach Community College District		

(03) List all the colleges of the community college district identified in form HFE-1.1, line (03)

(a) Name of College	(b) Claimed Amount
1. Long Beach City College	\$ 244,305.53
2.	\$ -
3.	\$ -
4.	\$ -
5.	\$ -
6.	\$ -
7.	\$ -
8.	\$ -
9.	\$ -
10.	\$ -
11.	\$ -
12.	\$ -
13.	\$ -
14.	\$ -
15.	\$ -
16.	\$ -
17.	\$ -
18.	\$ -
19.	\$ -
20.	\$ -
1.	\$ -
(04) Total Amount Claimed	\$ 244,306

Fiscal Year 029	MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY	FORM HFE-1.1
---------------------------	--	-------------------------------

(01) Claimant: Long Beach Community College District	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2001-2002
--	---	------------------------------

(03) Name of College Long Beach City College

(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1986/87 fiscal year. If the "Less" box is checked, **STOP**, do not complete the form. No reimbursement is allowed.

LESS SAME MORE

	Direct Cost	Indirect Cost of: 35.76%	Total
(05) Cost of Health Services for the Fiscal year of Claim	\$ 417,480	\$ 149,291	\$ 566,771
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87	\$ 346.86	\$ 124	\$ 471
(07) Cost of providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	\$ 417,134	\$ 149,167	\$ 566,301

(08) Complete Columns (a) through (g) to provide detail data for health fees

Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student per Educ. Code § 76355	(d) Full-time Student Health Fees (a) x (c)	(e) Unit Cost for Part-time Student per Educ. Code § 76355	(f) Part-time Student Health Fees (b) x (e)	(g) *Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester	1,247	11,984		\$ -		\$ -	\$ -
2. Per spring semester	3,006	15,131		\$ -		\$ -	\$ -
3. Per summer session	1,570	9,486		\$ -		\$ -	\$ -
4. Per first quarter				\$ -		\$ -	\$ -
5. Per second quarter				\$ -		\$ -	\$ -
6. Per third quarter				\$ -		\$ -	\$ -

(09) Total health fee that could have been collected *(ACTUAL per ledger general ledger attached)

\$ 321,995

(10) Sub-total [Line (07) - line (09)]

\$ 244,306

Cost Reduction	
(11) Less: Offsetting Savings, if applicable	\$ -
(12) Less: Other Reimbursements, if applicable	\$ -
(13) Total Amount Claimed [Line (10) - (line (11) + line (12))]	\$ 244,306

**LONG BEACH COMMUNITY COLLEGE DISTRICT
CALCULATION OF INDIRECT COST RATE,
FISCAL YEAR
2000-2001**

*FOR 01-02
CLAIMS*

REFERENCE (CCFS 311)	DESCRIPTION	2000-2001
INSTRUCTIONAL ACTIVITY		
	Instructional Costs	
	Instructional Salaries and Benefits	37,398,743
	Instructional Operating Expenses	1,772,057
	Instructional Support Instructional Salaries and Benefits	0
	Auxiliary Operations Instructional Salaries and Benefits	7,195
	TOTAL INSTRUCTIONAL COSTS 1	39,177,995
	Non-Instructional Costs	
	Non-Instructional Salaries and Benefits	3,056,277
	Instructional Admin. Salaries and Benefits	2,633,275
	Instructional Admin. Operating Expenses	491,553
	Auxiliary Classes Non-Inst. Salaries and Benefits	756,406
	Auxiliary Classes Operating Expenses	589,740
	TOTAL NON-INSTRUCTIONAL COSTS 2	7,527,251
	TOTAL INSTRUCTIONAL ACTIVITY COSTS 3 (1 + 2)	46,705,246
DIRECT SUPPORT ACTIVITY		
	Direct Support Costs	
	Instructional Support Services Non Inst. Salaries and Benefits	2,240,408
	Instructional Support Services Operating Expenses	233,963
	Admissions and Records	1,626,697
	Counseling and Guidance	4,232,273
	Other Student Services	4,952,083
	TOTAL DIRECT SUPPORT COSTS 4	13,285,424
TOTAL INSTRUCTIONAL ACTIVITY COSTS AND DIRECT SUPPORT COSTS 5 (3 + 4)		59,990,670
	Indirect Support Costs	
	Operation and Maintenance of Plant	6,528,323
	Planning and Policy Making	3,517,094
	General Instructional Support Services	11,407,189
	TOTAL INDIRECT SUPPORT COSTS 6	21,452,606
TOTAL INSTRUCTIONAL ACTIVITY COSTS AND DIRECT SUPPORT COSTS AND TOTAL INDIRECT SUPPORT COSTS (5 + 6) = TOTAL COSTS		81,443,276
SUPPORT COSTS ALLOCATION RATES		
Indirect Support Costs Allocation Rate =	Total Indirect Support Costs (6)	35.76%
	Total Instructional Activity Costs and Direct Support Costs (5)	
Direct Support Costs Allocation Rate =	Total Direct Support Costs (4)	28.45%
	Total Instructional Activity Costs (3)	
Total Support Cost Allocation		64.21%

Long Beach Community College District
Health Fee Elimination
Summary -2001-2002

Student Health Costs, shown in G/L - YTD	\$418,317.55
Less: Income reimbursement for Staff TB tests Included as expenses in G/L above See HFE 1.8 submitted by district	-837.12
Adjusted 2001-2002 Health Fee Expenses	<u>\$417,480.43</u>

Costs of 2001-02 Vaccine given to students - Not Given in 1986-87

Fall 2001	17 Vaccines Given	
R.N. Cost 5.67 hrs @ \$46.86 (Cindi Blomberg)		265.90
Supplies Safety Syringes 17@ .58		9.86
Gloves 17x2@.12		4.08
Alcohol Wipes 17x2@.03		1.02
Spring 2002	4 Vaccines Given	
R.N. Cost 1.34 hrs @ \$46.86 (Cindi Blomberg)		62.48
Supplies Safety Syringes 4 @ .58		2.32
Gloves 4x2@.12		0.96
Alcohol Wipes 4x2@.03		0.24
2001-02 Costs in excess of level in 86/87		<u>346.86</u>

LONG BEACH COMMUNITY COLLEGE DISTRICT
 ADOPTED BUDGET 2002-2003
 REVENUE OF GENERAL FUND 01

DESCRIPTION	ADOPTED BUDGET 2001-2002	ACTUAL 2001-2002	ADOPTED BUDGET 2002-2003
OTHER STATE REVENUE (CONTINUED)			
Other State Revenue - Unrestricted	0	0	0
Center for International Trade	294,875	258,412	331,338
Mandated Cost Reimbursement	634,385	499,025	500,000
TOTAL OTHER STATE REVENUE	\$ 16,980,944	\$ 19,221,606	\$ 18,131,806
LOCAL REVENUE			
Gifts and Endowments	1,400	1,414	1,400
American Language and Culture Institute Fees	187,000	128,286	130,000
Johns Hopkins University	151,140	59,892	0
Use of Facilities, Custodial and Technician Services, Stadium	0	54,564	55,000
City of Long Beach Assessment	126,564	120,337	99,063
Sale of Publications	51,800	70,000	70,000
Veterans' Stadium Concessions	93,000	103,934	104,000
Veterans' Stadium Parking Lot Rental	787,000	816,086	820,000
Community Services Leases and Rentals	107,000	158,828	160,000
Rent, PCH/Walnut Property	12,200	12,100	13,000
Veterans' Stadium Rental	59,000	76,840	76,000
Interest - TRANS	351,000	211,676	200,000
Interest - Other	650,000	450,167	450,000
Community Services - Community Education and Events	127,549	119,018	120,000
Community Services - Recreation	117,150	48,800	50,000
Community Services - Senior Classes	14,823	16,877	16,000
Community Services - Summer Academy (Fasttrak)	0	24,021	50,000
Senior Studies Trip Fees	24,000	27,154	27,000
Student Health Fees	834,801	321,995	325,000
Materials Fees	86,000	95,887	97,000
Transcript Fees	78,000	79,095	80,000
Nonresident Tuition	240,000	186,154	185,000
Parking Fees	600,000	609,578	610,000
Foreign Students Fees	1,090,000	1,340,894	1,400,000

LONG BEACH COMMUNITY COLLEGE DISTRICT
ACTIVITY SUMMARY FUND 01 GENERAL FUND

CT ID: LBCL004 Group D

FY: Year 2002 : Period - 12 (06/30/2002)

644000 Health Services Fylpaa, J.

NT NUMBER PROG	ACCOUNT DESCRIPTION	BUDGET APPROP.	CURRENT APPROP.	PRE-ENCUMB TTD	ENCUMB. TTD	EXPEND. TTD	AVAILABLE BAL.		
							BAL. TTD	PCT	
	100000 Academic Salaries								
0 0490	Acad Sal NI RS Supv/Coord Physical/Mental Health	0.00	0.00	0.00	0.00	31,028.44	-31,028.44	0.0	0.0
Total		0.00	0.00	0.00	0.00	31,028.44	-31,028.44	0.0	0.0
Total	Noninstr Sal, Contr/Reg Status	0.00	0.00	0.00	0.00	0.00	-31,028.44	0.0	0.0
0 0490	Acad Sal NI SS Hrly Physical/Mental Health	1,500.00	1,500.00	0.00	0.00	0.00	1,500.00	100.0	100.0
Total		1,500.00	1,500.00	0.00	0.00	0.00	1,500.00	100.0	100.0
0 0490	Acad Sal NI SS RS W/SS Assign Physical/Mental Health	0.00	0.00	0.00	0.00	1,513.23	-1,513.23	0.0	0.0
Total		0.00	0.00	0.00	0.00	1,513.23	-1,513.23	0.0	0.0
Total	Acad Sal NI SS RS W/SS Assign	0.00	0.00	0.00	0.00	1,513.23	-1,513.23	0.0	0.0
0 0490	Acad Sal NI Other Hourly Physical/Mental Health	23,100.00	23,100.00	0.00	0.00	13,814.57	9,285.43	40.2	40.2
Total		23,100.00	23,100.00	0.00	0.00	13,814.57	9,285.43	40.2	40.2
Total	Noninstruc Salaries, Other	24,600.00	24,600.00	0.00	0.00	15,327.80	9,272.20	37.7	37.7
Total	100000 Academic Salaries	24,600.00	24,600.00	0.00	0.00	46,356.24	-21,756.24	-88.4	-88.4
	200000 Classified/Oth NAcademic Salar								
0 0490	Cl Sal NI RS Clerical Physical/Mental Health	64,084.00	64,084.00	0.00	0.00	71,581.21	-7,497.21	-11.7	-11.7
Total		64,084.00	64,084.00	0.00	0.00	71,581.21	-7,497.21	-11.7	-11.7
0 0490	Cl Sal NI RS Other Physical/Mental Health	92,392.00	92,392.00	0.00	0.00	101,321.25	-8,929.25	-9.7	-9.7
Total		92,392.00	92,392.00	0.00	0.00	101,321.25	-8,929.25	-9.7	-9.7
Total	Cl Sal NI RS Other	92,392.00	92,392.00	0.00	0.00	101,321.25	-8,929.25	-9.7	-9.7
Total	Noninstruc Salaries, Reg Status	156,476.00	156,476.00	0.00	0.00	172,902.46	-16,426.46	-10.5	-10.5
0 0490	Cl Sal NI H Clerical Sub Pd Lv Physical/Mental Health	0.00	0.00	0.00	0.00	1,068.40	-1,068.40	0.0	0.0
Total		0.00	0.00	0.00	0.00	1,068.40	-1,068.40	0.0	0.0
Total	Cl Sal NI H Clerical Sub Pd Lv	0.00	0.00	0.00	0.00	1,068.40	-1,068.40	0.0	0.0

LONG BEACH COMMUNITY COLLEGE DISTRICT
ACTIVITY SUMMARY FUND 01 GENERAL FUND

F Year 2002 : Period - 12 (06/30/2002)

644000 - Health Services

Fy1paa,J.

UNT. NUMBER PROG	ACCOUNT DESCRIPTION	BUDGET APPROP.	CURRENT APPROP.	PRE-ENCUMB TTD	ENCUMB. TTD	EXPEND. TTD	AVAILABLE BAL.TTD	BAL. PCT
200000 Classified/Oth NAcademic Salar								
00 0490	C1 Sal NI H Non Clerical Physical/Mental Health	38,598.00	38,598.00	0.00	0.00	20,846.93	17,751.07	46.0
Total		38,598.00	38,598.00	0.00	0.00	20,846.93	17,751.07	46.0
Total	Noninstr Salaries, Other	38,598.00	38,598.00	0.00	0.00	21,915.33	16,682.67	43.2
Total	200000 Classified/Oth NAcademic Salar	195,074.00	195,074.00	0.00	0.00	194,817.79	256.21	0.1
300000 Employee Benefits								
00 0490	Staff Benefits Gen, NInstruct Physical/Mental Health	78,234.00	78,234.00	0.00	0.00	77,393.97	840.03	1.1
Total		78,234.00	78,234.00	0.00	0.00	77,393.97	840.03	1.1
Total	Other Benefits	78,234.00	78,234.00	0.00	0.00	77,393.97	840.03	1.1
Total	300000 Employee Benefits	78,234.00	78,234.00	0.00	0.00	77,393.97	840.03	1.1
400000 Supplies and Materials								
00 0490	Duplicating Non Instr (Pulse) Physical/Mental Health	1,320.00	1,320.00	0.00	0.00	647.41	672.59	51.0
Total		1,320.00	1,320.00	0.00	0.00	647.41	672.59	51.0
00 0490	NI Supplies & Materials Physical/Mental Health	12,316.00	11,791.00	-92.00	149.37	10,759.54	974.09	8.3
Total		12,316.00	11,791.00	-92.00	149.37	10,759.54	974.09	8.3
Total	NI Supplies & Materials	12,316.00	11,791.00	-92.00	149.37	10,759.54	974.09	8.3
Total	Non. Instr Supplies & Materials	13,636.00	13,111.00	-92.00	149.37	11,406.95	1,646.68	12.6
Total	400000 Supplies and Materials	13,636.00	13,111.00	-92.00	149.37	11,406.95	1,646.68	12.6
500000 Other Operating Exp/Services								
00 0490	Pers Srv or Firm & Advertising Physical/Mental Health	23,150.02	23,150.04	0.00	20,525.00	22,150.00	-19,524.96	-84.3
Total		23,150.02	23,150.04	0.00	20,525.00	22,150.00	-19,524.96	-84.3
Total	Pers Srv or Firm & Advertising	23,150.02	23,150.04	0.00	20,525.00	22,150.00	-19,524.96	-84.3

LONG BEACH COMMUNITY COLLEGE DISTRICT
ACTIVITY SUMMARY FUND 01 GENERAL FUND

Sit ID: LBOGL004 Group D

By:
Fiscal Year 2002 : Period - 12 (06/30/2002)

644000 - Health Services Fy1paas,J.

CUNT NUMBER F PROG	ACCOUNT DESCRIPTION	BUDGET APPROP.	CURRENT APPROP.	PRE-ENCUMB TTD	ENCUMB. TTD	EXPEND. TTD	AVAILABLE BAL.TTD	BAL. PCT
Total	Contract Services	23,150.02	23,150.04	0.00	20,525.00	22,150.00	-19,524.96	-84.3
200 0490	Conferences Academic Physical/Mental Health	500.00	500.00	0.00	0.00	395.00	105.00	21.0
Total	Conferences Academic	500.00	500.00	0.00	0.00	395.00	105.00	21.0
500 0490	Conferences Classified Physical/Mental Health	642.00	0.00	0.00	0.00	0.00	0.00	0.0
Total	Conferences Classified	642.00	0.00	0.00	0.00	0.00	0.00	0.0
000 0490	Staff Development Activities Physical/Mental Health	108.00	108.00	0.00	0.00	0.00	108.00	100.0
Total	Staff Development Activities	108.00	108.00	0.00	0.00	0.00	108.00	100.0
Total	Travel/Conf/Oth Exp Reimbursed	1,250.00	608.00	0.00	0.00	395.00	213.00	35.0
000 0490	Memberships/Fees/Dues Physical/Mental Health	475.00	0.00	0.00	0.00	0.00	0.00	0.0
Total	Memberships/Fees/Dues	475.00	0.00	0.00	0.00	0.00	0.00	0.0
Total	Dues and Memberships	475.00	0.00	0.00	0.00	0.00	0.00	0.0
0490	Other Insurance Physical/Mental Health	57,526.01	57,526.01	0.00	0.00	57,526.00	0.01	0.0
Total	Other Insurance	57,526.01	57,526.01	0.00	0.00	57,526.00	0.01	0.0
Total	Insurance	57,526.01	57,526.01	0.00	0.00	57,526.00	0.01	0.0
300 0490	Equip Repairs NI Physical/Mental Health	500.00	500.00	0.00	0.00	0.00	500.00	100.0
Total	Equip Repairs NI	500.00	500.00	0.00	0.00	0.00	500.00	100.0
Total	Contracts Rents/Leases/Equip Rp	500.00	500.00	0.00	0.00	0.00	500.00	100.0
Total	500000 Other Operating Exp/Services	82,901.03	81,784.05	0.00	20,525.00	80,071.00	-18,811.95	-23.0
	600000 Capital Outlay							

LONG BEACH COMMUNITY COLLEGE DISTRICT
ACTIVITY SUMMARY FUND 01 GENERAL FUND

FY: Year 2002 : Period - 12 (06/30/2002)

644000 - Health Services

Fylpaas, J.

INT NUMBER	ACCOUNT DESCRIPTION	BUDGET APPROP.	CURRENT APPROP.	PRE-ENCUMB TTD	ENCUMB. TTD	EXPEND. TTD	AVAILABLE BAL. TTD	BAL. PCT
600000 Capital Outlay								
10 0490	Equip Non-Inst \$200-\$999.99 Physical/Mental Health	7,000.00	6,800.00	0.00	568.31	7,011.57	-779.88	-11.5
Total		7,000.00	6,800.00	0.00	568.31	7,011.57	-779.88	-11.5
0490	Equip Non-Inst \$1,000 & Up Physical/Mental Health	0.00	1,842.00	0.00	1,260.03	1,260.03	-678.06	-36.8
Total		0.00	1,842.00	0.00	1,260.03	1,260.03	-678.06	-36.8
Total		7,000.00	8,642.00	0.00	1,828.34	8,271.60	-1,457.94	-16.9
Total	600000 Capital Outlay	7,000.00	8,642.00	0.00	1,828.34	8,271.60	-1,457.94	-16.9
700000 Other Outgo								
10 0490	Reserves Physical/Mental Health	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Total		0.00	0.00	0.00	0.00	0.00	0.00	0.0
Total	Reserve for Contingencies	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Total	700000 Other Outgo	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Total	Health Services	401,445.03	401,445.05	-92.00	22,502.71	418,317.55	39,283.21	-9.8

418,317.55

OK

Jean
DIT Remb
For STAFF TB
Techs
832.15
2417, 480.43 net ALS
cont

MANDATED COSTS HEALTH FEE ELIMINATION COMPONENT/ACTIVITY COST DETAIL		FORM HFE-2.1	
) Claimant Long Beach Community College District		Fiscal Year 2001-2002	
(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health Service was provided by student health service fees for the indicated fiscal year.	(a) FY 1986/87	(b) FY of Claim	
Accident Reports	X	X	
Appointments			
College Physician, surgeon			
Dermatology, Family practice			
Internal Medicine			
Outside Physician			
Dental Services			
Outside Labs, (X-ray, etc.,)			
Psychologist, full services	X	X	
Cancel/Change Appointments	X	X	
Registered Nurse	X	X	
Check Appointments	X	X	
Assessment, Intervention and Counseling			
Birth Control	X	X	
Lab Reports	X	X	
Nutrition	X	X	
Test Results, office	X	X	
Venereal Disease	X	X	
Communicable Disease	X	X	
Upper Respiratory Infection	X	X	
Eyes, Nose and Throat	X	X	
Eye/Vision	X	X	
Dermatology/Allergy	X	X	
Gynecology/Pregnancy Service	X	X	
Neuralgic	X	X	
Orthopedic	X	X	
Genito/Urinary	X	X	
Dental	X	X	
Gastro-Intestinal	X	X	
Stress Counseling	X	X	
Crisis Intervention	X	X	
Child Abuse Reporting and Counseling	X	X	
Substance Abuse Identification and Counseling	X	X	
Eating Disorders	X	X	
Weight Control	X	X	
Personal Hygiene	X	X	
Burnout	X	X	
Other Medical Problems, list Diabetes	X	X	
Examinations, minor illnesses			
Recheck Minor Injury			
Health Talks or Fairs, Information			
Sexually Transmitted Disease	X	X	
Drugs	X	X	
Acquired Immune Deficiency Syndrome	X	X	
Child Abuse	X	X	



**MANDATED COSTS
HEALTH FEE ELIMINATION
COMPONENT/ACTIVITY COST DETAIL**

**FORM
HFE-2.1**

Claimant Long Beach Community College District	Fiscal Year 2001-2002	
(O3) Place an "X" in column (a) and/or (b), as applicable, to indicate which health Service was provided by student health service fees for the indicated fiscal year.	(a) FY 1986/87	(b) FY of Claim
Birth Control/Family Planning	X	X
Stop Smoking	X	X
Library, Videos and Cassettes	X	X
First Aid, Major Emergencies	X	X
First Aid, Minor Emergencies	X	X
First Aid Kits, Filled	X	X
Immunizations		
Diphtheria/Tetanus	X	X
Measles/Rubella		X
Influenza		X
Information	X	X
Insurance		
On Campus Accident	X	X
Voluntary	X	X
Insurance Inquiry/Claim Administration	X	X
Laboratory Tests Done		
Inquiry/Interpretation	X	X
Pap Smears		
Physical Examinations		
Employees		
Students	X	X
Athletes		
Medications		
Antacids	X	X
Antidiarrheal	X	X
Aspirin, Tylenol, etc.,	X	X
Skin Rash Preparations	X	X
Eye Drops	X	X
Ear Drops		
Toothache, oil cloves	X	X
Stingkill	X	X
Midol, Menstrual Cramps	X	X
Other, list--> Ibuprofen		
Parking Cards/Elevator Keys		
Tokens		
Return Card/Key	X	X
Parking Inquiry		
Elevator Passes	X	X
Temporary Handicapped Parking Permits		

CLAIM FOR PAYMENT
Pursuant to Government Code Section 17561
HEALTH FEE ELIMINATION

For State Controller Use only
 (19) Program Number 00029
 (20) Date File ___/___/___
 (21) LRS Input ___/___/___

Program
029

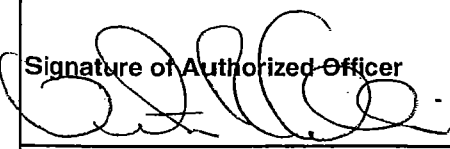
I) Claimant Identification Number: S19250			Reimbursement Claim Data	
(02) Mailing Address: Long Beach Community College District			(22) HFE - 1.0, (04)(b)	\$ 272,672
Claimant Name Long Beach Community College District			(23)	
County of Location Los Angeles			(24)	
Street Address 4901 East Carson Street			(25)	
City Long Beach	State CA	Zip Code 90808	(26)	
Type of Claim	(03) Estimated <input checked="" type="checkbox"/>	(09) Reimbursement <input checked="" type="checkbox"/>	(27)	
	(04) Combined <input type="checkbox"/>	(10) Combined <input type="checkbox"/>	(28)	
	(05) Amended <input type="checkbox"/>	(11) Amended <input type="checkbox"/>	(29)	
			(30)	
Fiscal Year of Cost 2003-2004	(06)	(12) 2002-2003	(31)	
Total Claimed Amount \$ 275,000	(07)	(13) \$ 272,672	(32)	
Less: 10% Late Penalty, but not to exceed \$1000		(14) \$ -	(33)	
Less: Estimate Claim Payment Received		(15) \$ -	(34)	
Net Claimed Amount		(16) \$ 272,672	(35)	
Due from State	(08) \$ 275,000	(17) \$ 272,672	(36)	
Due to State		(18) \$ -	(37)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code § 17561, I certify that I am the officer authorized by the local agency to file claims with the State of California for costs mandated by Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1096, inclusive.

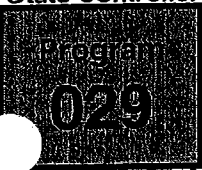
I further certify that there was no application other than from the claimant, nor any grant or payment received, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program mandated by Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs for the mandated program of Chapter 1, Statutes of 1984, and Chapter 1118, Statutes of 1987, set forth on the attached statements.

Signature of Authorized Officer

 Victor R. Collins
 Type or Print Name

Date
 1-9-04
 Executive Vice-President, Human Resources
 Title

(9) Name of Contact Person or Claim
SixTen and Associates
 Telephone Number (858) 514-8605
 E-Mail Address kbpsixten@aol.com




**MANDATED COSTS
HEALTH FEE ELIMINATION
CLAIM SUMMARY**

**FORM
HFE-1.0**

(01) Claimant:	(02) Type of Claim:		Fiscal Year
Claimant Name	Reimbursement <input checked="" type="checkbox"/>		
Long Beach Community College District	Estimated <input type="checkbox"/>		2002-2003

(03) List all the colleges of the community college district identified in form HFE-1.1, line (03)

(a) Name of College	(b) Claimed Amount
1. Long Beach City College	\$ 272,671.72
2.	\$ -
3.	\$ -
4.	\$ -
5.	\$ -
6.	\$ -
7.	\$ -
8.	\$ -
9.	\$ -
10.	\$ -
11.	\$ -
12.	\$ -
13.	\$ -
14.	\$ -
15.	\$ -
16.	\$ -
17.	\$ -
18.	\$ -
19.	\$ -
20.	\$ -
21.	\$ -
(04) Total Amount Claimed	\$ 272,672

	MANDATED COSTS HEALTH FEE ELIMINATION CLAIM SUMMARY	FORM HFE-1.1
--	--	-------------------------------

(01) Claimant: Long Beach Community College District	(02) Type of Claim: Reimbursement <input checked="" type="checkbox"/> Estimated <input type="checkbox"/>	Fiscal Year 2002-2003
--	---	------------------------------

(03) Name of College Long Beach City College

(04) Indicate with a check mark, the level at which health services were provided during the fiscal year of reimbursement in comparison to the 1986/87 fiscal year. If the "Less" box is checked, STOP, do not complete the form. No reimbursement is allowed.

LESS SAME MORE

	Direct Cost	Indirect Cost of: 33.94%	Total
(05) Cost of Health Services for the Fiscal year of Claim	\$ 438,526	\$ 148,836	\$ 587,362
(06) Cost of providing current fiscal year health services which are in excess of the level provided in 1986/87		\$ -	\$ -
(07) Cost of providing current fiscal year health services at the 1986/87 level [Line (05) - line (06)]	\$ 438,526	\$ 148,836	\$ 587,362

(08) Complete Columns (a) through (g) to provide detail data for health fees

Period for which health fees were collected	(a) Number of Full-time Students	(b) Number of Part-time Students	(c) Unit Cost for Full-time Student per Educ. Code § 76355	(d) Full-time Student Health Fees (a) x (c)	(e) Unit Cost for Part-time Student per Educ. Code § 76355	(f) Part-time Student Health Fees (b) x (e)	(g) Student Health Fees That Could Have Been Collected (d) + (f)
1. Per fall semester				\$ -		\$ -	\$ -
2. Per spring semester				\$ -		\$ -	\$ -
3. Per summer session				\$ -		\$ -	\$ -
4. Per first quarter				\$ -		\$ -	\$ -
5. Per second quarter				\$ -		\$ -	\$ -
6. Per third quarter				\$ -		\$ -	\$ -

(09) Total health fee that could have been collected	[Line (8.1g) + (8.2g) +(8.6g)]	\$ 313,843
(10) Sub-total	[Line (07) - line (09)]	\$ 273,519

Cost Reduction		
(11) Less: Offsetting Savings, if applicable		\$ -
(12) Less: Other Reimbursements, if applicable		\$ 847.00
(13) Total Amount Claimed	[Line (10) - (line (11) + line (12))]	\$ 272,672

**LONG BEACH COMMUNITY COLLEGE DISTRICT
CALCULATION OF INDIRECT COST RATE,
FISCAL YEAR
2001-2002**

For 02-09 classes

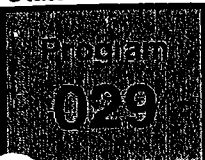
REFERENCE (CCFS 311)	DESCRIPTION	2001-2002
INSTRUCTIONAL ACTIVITY		
	Instructional Costs	
	Instructional Salaries and Benefits	44,670,763
	Instructional Operating Expenses	1,557,892
	Instructional Support Instructional Salaries and Benefits	0
	Auxiliary Operations Instructional Salaries and Benefits	0
	TOTAL INSTRUCTIONAL COSTS 1	46,228,655
	Non-Instructional Costs	
	Non-Instructional Salaries and Benefits	0
	Instructional Admin. Salaries and Benefits	2,857,705
	Instructional Admin. Operating Expenses	392,783
	Auxiliary Classes Non-Inst. Salaries and Benefits	946,883
	Auxiliary Classes Operating Expenses	579,448
	TOTAL NON-INSTRUCTIONAL COSTS 2	4,776,819
	TOTAL INSTRUCTIONAL ACTIVITY COSTS 3 (1 + 2)	51,005,474
DIRECT SUPPORT ACTIVITY		
	Direct Support Costs	
	Instructional Support Services Non Inst. Salaries and Benefits	2,850,939
	Instructional Support Services Operating Expenses	242,783
	Admissions and Records	1,766,898
	Counseling and Guidance	5,340,780
	Other Student Services	6,094,425
	TOTAL DIRECT SUPPORT COSTS 4	16,295,825
TOTAL INSTRUCTIONAL ACTIVITY COSTS AND DIRECT SUPPORT COSTS 5 (3 + 4)		67,301,299
	Indirect Support Costs	
	Operation and Maintenance of Plant	7,368,294
	Planning and Policy Making	3,504,511
	General Instructional Support Services	11,972,136
	TOTAL INDIRECT SUPPORT COSTS 6	22,844,941
TOTAL INSTRUCTIONAL ACTIVITY COSTS AND DIRECT SUPPORT COSTS AND TOTAL INDIRECT SUPPORT COSTS (5 + 6) = TOTAL COSTS		90,146,240
SUPPORT COSTS ALLOCATION RATES		
Indirect Support Costs Allocation Rate =	Total Indirect Supports Costs (6) Total Instructional Activity Costs and Direct Support Costs (5)	33.94%
Direct Support Costs Allocation Rate =	Total Direct Support Costs (4) Total Instructional Activity Costs (3)	31.95%
Total Support Cost Allocation		65.89%



**MANDATED COSTS
HEALTH FEE ELIMINATION
COMPONENT/ACTIVITY COST DETAIL**

**FORM
HFE-2.1**

) Claimant Long Beach Community College District	Fiscal Year 2002-2003	
(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health Service was provided by student health service fees for the indicated fiscal year.	(a) FY 1986/87	(b) FY of Claim
Accident Reports	X	X
Appointments		
College Physician, surgeon		
Dermatology, Family practice		
Internal Medicine		
Outside Physician		
Dental Services		
Outside Labs, (X-ray, etc.,)		
Psychologist, full services	X	X
Cancel/Change Appointments	X	X
Registered Nurse	X	X
Check Appointments	X	X
Assessment, Intervention and Counseling		
Birth Control	X	X
Lab Reports	X	X
Nutrition	X	X
Test Results, office	X	X
Venereal Disease	X	X
Communicable Disease	X	X
Upper Respiratory Infection	X	X
Eyes, Nose and Throat	X	X
Eye/Vision	X	X
Dermatology/Allergy	X	X
Gynecology/Pregnancy Service	X	X
Neuralgic	X	X
Orthopedic	X	X
Genito/Urinary	X	X
Dental	X	X
Gastro-Intestinal	X	X
Stress Counseling	X	X
Crisis Intervention	X	X
Child Abuse Reporting and Counseling		
Substance Abuse Identification and Counseling	X	X
Eating Disorders	X	X
Weight Control	X	X
Personal Hygiene	X	X
Burnout	X	X
Other Medical Problems, list		
Examinations, minor illnesses		
Recheck Minor Injury	X	X
Health Talks or Fairs, Information		
Sexually Transmitted Disease	X	X
Drugs	X	X
Acquired Immune Deficiency Syndrome	X	X
Child Abuse	X	X



**MANDATED COSTS
HEALTH FEE ELIMINATION
COMPONENT/ACTIVITY COST DETAIL**

**FORM
HFE-2.1**

) Claimant Long Beach Community College District	Fiscal Year 2002-2003	
(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health Service was provided by student health service fees for the indicated fiscal year.	(a) FY 1986/87	(b) FY of Claim
Birth Control/Family Planning	X	X
Stop Smoking	X	X
Library, Videos and Cassettes	X	X
First Aid, Major Emergencies	X	X
First Aid, Minor Emergencies	X	X
First Aid Kits, Filled	X	X
Immunizations		
Diphtheria/Tetanus	X	X
Measles/Rubella		
Influenza		
Information	X	X
Insurance		
On Campus Accident	X	X
Voluntary	X	X
Insurance Inquiry/Claim Administration	X	X
Laboratory Tests Done		
Inquiry/Interpretation	X	X
Pap Smears		
Physical Examinations		
Employees		
Students		
Athletes	X	X
Medications		
Antacids	X	X
Antidiarrheal	X	X
Aspirin, Tylenol, etc.,	X	X
Skin Rash Preparations	X	X
Eye Drops	X	X
Ear Drops		
Toothache, oil cloves	X	X
Stingkill	X	X
Midol, Menstrual Cramps	X	X
Other, list	X	X
Parking Cards/Elevator Keys		
Tokens		
Return Card/Key		
Parking Inquiry	X	X
Elevator Passes		
Temporary Handicapped Parking Permits	X	X

Program 029	MANDATED COSTS HEALTH FEE ELIMINATION COMPONENT/ACTIVITY COST DETAIL	FORM HFE-2.1
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1) Claimant Long Beach Community College District	Fiscal Year 2002-2003
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(03) Place an "X" in column (a) and/or (b), as applicable, to indicate which health Service was provided by student health service fees for the indicated fiscal year.	(a) FY 1986/87	(b) FY of Claim
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Referrals to Outside Agencies		
Private Medical Doctor	X	X
Health Department	X	X
Clinic	X	X
Dental	X	X
Counseling Centers	X	X
Crisis Centers	X	X
Transitional Living Facilities, battered/homeless women	X	X
Family Planning Facilities	X	X
Other Health Agencies	X	X
Tests		
Blood Pressure	X	X
Hearing	X	X
Tuberculosis		
Reading	X	X
Information	X	X
Vision	X	X
Glucometer	X	X
Urinalysis	X	X
Hemoglobin		
EKG		
Strep A Testing	X	X
PG Testing		
Monospot		
Hemacult		
Others, list		
Miscellaneous		
Absence Excuses/PE Waiver	X	X
Allergy Injections		
Band-aids	X	X
Booklets/Pamphlets	X	X
Dressing Change	X	X
Rest	X	X
Suture Removal	X	X
Temperature	X	X
Weigh	X	X
Information	X	X
Report/Form		
Wart Removal	X	X
Others, list	X	X
Committees		
Safety	X	X
Environmental		
Disaster Planning	X	X
Skin Rash Preparations	X	X
Eye Drops	X	X