



BETTY T. YEE
California State Controller

RECEIVED
March 28, 2016
*Commission on
State Mandates*

March 25, 2016

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

Re: Draft Proposed Decision
Incorrect Reduction Claim
Health Fee Elimination, 10-4206-I-33
Former Education Code Section 72246 (Renumbered as 76355)
Statutes 1984, Chapter 1 (1983-1984 2nd Ex. Sess.) (AB2X 1)
Statutes 1987, Chapter 1118 (AB 2336)
Fiscal Years 2003-2004, 2004-05, 2005-06, and 2006-07
El Camino Community College District, Claimant

Dear Ms. Halsey:

The State Controller's Office (SCO) has reviewed the Commission on State Mandates' (Commission) Draft Staff Analysis (DSA) dated March 18, 2016, for the above incorrect reduction claim (IRC) filed by El Camino Community College District. This letter constitutes the SCO's response to the DSA.

We support the Commission staff decision related to the following:

- The audit of the district's fiscal year (FY) 2003-04 claim was initiated and completed in a timely manner.
- Reductions based on understated offsetting health service fee revenues, totaling \$699,317, are correct as a matter of law. The SCO calculations of authorized health service fees are not arbitrary, capricious, or entirely lacking in evidentiary support.
- The total reduction of claimed costs for FY 2006-07 is correct as a matter of law because offsetting health fee revenues, totaling \$708,690, exceeded the direct and indirect costs claimed by the district for that year.
- The reduction of indirect costs claimed for FY 2003-04 based on indirect cost rates that the district developed using the OMB Circular A-21 methodology, but were not federally approved, is correct as a matter of law.

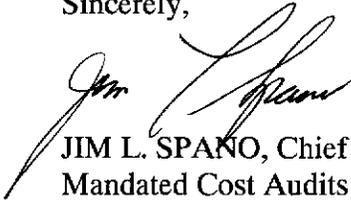
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- The reductions of indirect costs for FY 2004-05 and FY 2005-06 based on the district's use of expenditures from the prior year's CCFS-311 reports, instead of expenditures incurred in the claim years, are correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support.
- The SCO recalculation of the district's indirect cost rates for FY 2003-04 through FY 2005-06 using the Form FAM-29C was not arbitrary, capricious, or entirely lacking in evidentiary support.

If you have any questions, please contact me by telephone at (916) 323-5849.

Sincerely,



JIM L. SPANO, Chief
Mandated Cost Audits Bureau
Division of Audits

JLS/lis

16965

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On March 29, 2016, I served the:

SCO Comments on Draft Proposed Decision

Health Fee Elimination, 10-4206-I-33

Former Education Code Section 72246 (Renumbered as 76355)

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

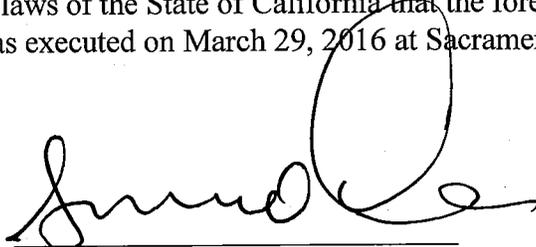
Statutes 1987, Chapter 1118 (AB 2336)

Fiscal Year: 2003-2004

El Camino Community College District, Claimant

By making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on March 29, 2016 at Sacramento, California.



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

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 3/24/16

Claim Number: 10-4206-I-33

Matter: Health Fee Elimination

Claimant: El Camino Community College District

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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