

**ITEM 6**  
**MANDATE REDETERMINATION**  
**SECOND HEARING: NEW TEST CLAIM DECISION**  
**PROPOSED DECISION**

Education Code Sections 81820 and 81821(a), (b), (e), and (f);  
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981,  
Chapter 891; Statutes 1995, Chapter 758;

As Alleged to be Modified by:  
Statutes 2014, Chapter 34 (SB 860)

*Community College Construction (02-TC-47)*

14-MR-03

Department of Finance, Requester

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Assembly Floor Analysis of Senate Bill 860 (2013-2014 Reg. Sess.) as amended  
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**RECEIVED**  
June 19, 2015  
*Commission on  
State Mandates*

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

## Exhibit A

June 19, 2015

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

Dear Ms. Halsey:

Pursuant to Government Code section 17570, the Department of Finance requests that the Commission on State Mandates (Commission) adopt a new test claim decision and amend the parameters and guidelines for the Community College Construction (02-TC-47) state-mandated program by adding language to show that the reimbursement period of this mandate program ended on June 20, 2014. Chapter 34, Statutes of 2014 (SB 860) made components of Education Code section (ECS) 81821, that were determined to be reimbursable activities, permissive by moving those components into a subdivision that allows rather than requires specified estimates to be included in a district's five-year capital construction plan. It was the intent of the Legislature in enacting the statutory amendments to ECS 81821 to relieve local districts from the duty of performing reimbursable activities. Since the statute was amended, no reimbursement is required pursuant to Article XIII B, section 6 of the California Constitution and Government Code section 17514. As a result, the Community College Construction mandate program no longer exists based on the amendment of the test claim statute.

The Commission form "Request to Adopt New Test Claim Decision" is attached with a detailed analysis, declarations, and documentation.

Pursuant to section 1181.2 of the California Code of Regulations, "documents that are e-filed with the Commission need not be otherwise served on persons that have provided an e-mail address for the mailing list."

If you have any questions regarding this letter, please contact Chris Ferguson, Principal Program Budget Analyst at (916) 445-0328.

Sincerely,

CHRIS LIEF  
Assistant Program Budget Manager

Attachment

**COMMISSION ON STATE MANDATES  
FORM TO REQUEST TO ADOPT A NEW TEST CLAIM DECISION  
(MANDATE REDETERMINATION)**

Authorized by Government Code section 17570

**GENERAL INSTRUCTIONS**

- ☐ Type All Responses
- ☐ Complete sections 1 through 8, as indicated. Failure to complete any of these sections will result in this request to adopt a new test claim decision being returned as incomplete.
- ☐ Please submit by either of the following methods:
  1. **E-filing.** The requester shall electronically file the completed form and any accompanying documents in pdf format to the e-filing system on the Commission's website (<http://www.csm.ca.gov/dropbox.shtml>), consistent with the Commission's regulations (CCR, tit.2, §1181.2). The requester is responsible for maintaining the paper documents with original signature(s) for the duration of the redetermination process, including any period of appeal. ***No additional copies are required when e-filing the request.***
  2. **By hard copy.** The requester shall file, consistent with the Commission's regulations (CCR, tit. 2, § 1181.2), **one original signed hard copy, and seven (7) copies**, which shall include a table of contents, be unbound, double-sided, and shall not include tabs to: Commission on State Mandates, 980 Ninth Street, Suite 300, Sacramento, CA 95814

*Within 10 days of receipt of a request to adopt a new test claim decision, Commission staff will notify the requester if the request is complete or incomplete. Requests to adopt a new test claim decision will be considered incomplete if any of the required sections are not included or are illegible. If a completed request is not received within 30 calendar days from the date the incomplete request was returned, the executive director may disallow the original request filing date. A new request may be accepted on the same subsequent change in law alleged to modify the state's liability pursuant to article XIII B, section 6(a) of the California Constitution.*

**You may download this form from our website at [csm.ca.gov](http://csm.ca.gov).**

**If you have questions, please contact us:**

Website: [www.csm.ca.gov](http://www.csm.ca.gov)  
Telephone: (916) 323-3562  
E-Mail: [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov)

# 1. TITLE OF REQUEST TO ADOPT A NEW TEST CLAIM DECISION

Community College Construction (02-TC-47)

## 2. REQUESTER INFORMATION

Name of Local Agency, School District, Statewide Association  
of Local Agencies or School Districts, or State Agency

California Department of Finance

Requester Contact

Chris Ferguson

Title

Principal Program Budget Analyst

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City, State, Zip Code

916-445-0328

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E-Mail Address

## 3. REPRESENTATIVE INFORMATION

If requester designates another person to act as its sole representative for this request, all correspondence and communications regarding this request shall be forwarded to this representative. Any change in representation must be authorized by the requester in writing, and sent to the Commission on State Mandates. Please complete information below if designating a representative.

Representative Name

Title

Organization

Street Address

City, State, Zip Code

Telephone Number

Fax Number

E-Mail Address

For CSM Use Only

RECEIVED

Filing Date  
June 19, 2015

Commission on  
State Mandates

REQUEST#

14-MR-03

## 4. IDENTIFYING INFORMATION

Please identify the name(s) of the programs, test claim number(s), and the date of adoption of the Statement of Decision, for which you are requesting a new test claim decision, and the subsequent change in law that allegedly changes the state's liability. Regarding the subsequent change in law, please identify all relevant code sections (include statutes, chapters, and bill numbers), regulations (include register number and effective date), executive orders (include effective date), cases, or ballot measures.

On October 27, 2011, the Commission on State Mandates (Commission) adopted the Statement of Decision for the Community College Construction (02-TC-47) mandate program and approved reimbursement for specified capital construction estimates mandated in Education Code Section 81821. Pursuant to Government Code section 17570, the Department of Finance requests that the Commission adopt a new test claim decision and amend the parameters and guidelines for the mandated program by adding language to show that the reimbursement period of this mandate program ended on June 20, 2014. Chapter 34, Statutes of 2014 (SB 860) made components of statute, that were determined to be reimbursable activities, permissive by moving those components into a subdivision that allows rather than requires specified estimates to be included in a district's five-year capital construction plan.

Sections 5, 6 and 7 are attached as follows:

5. Detailed Analysis: Pages 5 to 5.

6. Declarations: Pages 6 to 6.

7. Documentation: Pages 7 to 9.

Sections 5, 6, and 7 should be answered on separate sheets of plain 8-1/2 x 11 paper. Each sheet should include the name of the request, requestor, section number (i.e., 5, 6, or 7), and a heading at the top of each page.

## 5. DETAILED ANALYSIS

Under the heading "5. Detailed Analysis," please provide a detailed analysis of how and why the state's liability for mandate reimbursement has been modified pursuant to article XIII B, section 6(a) of the California Constitution based on a "subsequent change in law" as defined in Government Code section 17570. This analysis shall be more than a written narrative or simple statement of the facts at law. It requires the application of the law (Gov. Code, § 17570 (a) and (b)) to the facts (i.e., the alleged subsequent change in law) discussing, for each activity addressed in the prior test claim decision, how and why the state's liability for that activity has been modified. Specific references shall be made to chapters, articles, sections, or page numbers that are alleged to impose or not impose a reimbursable state-mandated program.

Also include all of the following elements:

The actual or estimated amount of the annual statewide changes in the state's liability for mandate reimbursement pursuant to Article XIII B, section 6 (subdivision (a)) on a subsequent change in the law.

- A. Identification of all of the following if relevant:
1. Dedicated state funds appropriated for the program.
  2. Dedicated federal funds appropriated for the program.
  3. Fee authority to offset the costs of the program.
  4. Federal law.
  5. Court decisions.
  6. State or local ballot measures and corresponding date of election.

## 6. DECLARATIONS

Under the heading "6. Declarations," support the detailed analysis with declarations that:

- A. Declare actual or estimated annual statewide costs that will or will not be incurred to implement the alleged mandate.
- B. Identify all local, state, or federal funds and fee authority that may or may not be used to offset the increased costs that will or will not be incurred by the claimants to implement the alleged mandate or result in a finding of no costs mandated by the state, pursuant to Government Code section 17556.
- C. Describe new activities performed to implement specified provisions of the statute or executive order alleged to impose a reimbursable state-mandated program.
- D. Make specific references to chapters, articles, sections, or page numbers alleged to impose or not impose a reimbursable state-mandated program.
- E. Are signed under penalty of perjury, based on the declarant's personal knowledge, information, or belief, by persons who are authorized and competent to do so.

## 7. DOCUMENTATION

Under heading "7. Documentation," support the detailed analysis with copies of all of the following:

- A. Statutes, and administrative or court decisions cited in the detailed analysis.

Statements of Decision and published court decisions from a state mandate determination by the Board of Control or the Commission are exempt from this requirement. When an omnibus bill is pled or cited, the requester shall file only the relevant pages of the statute, including the Legislative Counsel's Digest and the specific statutory changes at issue.

## 8. CERTIFICATION

*Read, sign, and date this section and insert at the end of the request for a new test claim decision.\**

*This request for a new test claim decision is true and complete to the best of my personal knowledge, information, or belief.*

**Chris Ferguson**

Print or Type Name of Authorized Official

**Principal Program Budget Analyst**

Print or Type Title



Signature of Authorized Official

6/19/2015

Date

\*If declarant for this certification is different from the contact identified in section 2 of the form, please provide the declarant's address, telephone number, fax number and e-mail address.

**Request to Adopt a New Test Claim and Amend Parameters & Guidelines**  
**Department of Finance**  
**Community College Construction (02-TC-47)**  
**Section 5: Detailed Analysis**

Summary of Mandate

On October 27, 2011, the Commission on State Mandates (Commission) adopted the Statement of Decision for the Community College Construction (02-TC-47) mandate program (Construction Mandate) and approved reimbursement for specified capital construction estimate requirements mandated in Education Code section (ECS) 81821. ECS 81821 dates back to 1980 (Chapter 910, Statutes of 1980), which was substantially similar to requirements contained in ECS 20066 since 1967 as a part of the Community College Construction Act of 1967. Nevertheless, the Commission found 4 of the 6 construction estimate requirements within ECS 81821 to be reimbursable because they expanded requirements of an existing program or level of service.

Pursuant to Government Code section 17570, the Department of Finance requests that the Commission adopt a new test claim decision and amend the parameters and guidelines for the Construction Mandate to reflect that the reimbursement period of this program ended on June 20, 2014, which is the date amendments to ECS 81821 were signed into law. Chapter 34, Statutes of 2014 (SB 860) made reimbursable capital construction estimate requirements permissive. It was the intent of the Legislature in enacting these statutory amendments to relieve local districts of the duty to perform reimbursable activities. The activities required in former Education Code section 81821 (a), (b), (e), and (f) were made permissive by the amendments and are now set forth in Education Code section 81821(b)(1) through (4), respectively. Since the statute was amended, no reimbursement is required pursuant to Article XIII B, section 6 of the California Constitution and Government Code section 17514. As a result, the Construction Mandate should no longer exist based on the amendment of the test claim statute.

The following activities are no longer reimbursable:

**A. Scope of Mandate**

Community college districts shall be reimbursed for the costs of providing specified information in their five-year plan for capital construction and to annually monitor and report on this information.

**B. Reimbursable Activities/Costs**

For each eligible claimant, the following cost items are reimbursable:

1. Inclusion of the following information in their five-year plan for capital construction:
  - The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized.
  - The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district.
  - An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors.
  - An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors.
2. Annual monitoring, updates, and reporting of this information.



**Request to Adopt a New Test Claim and Amend Parameters & Guidelines**  
**Department of Finance**  
**Community College Construction (02-TC-47)**  
**Section 6: Declarations**

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According to the State Controller's Office's April 30, 2015, Deficiency Report "State Mandated Program Cost Report of Unpaid Claims and Deficiency Pursuant to Government Code Section 17562(b)(2)", from 2001-02 to 2011-12, community college districts claimed \$617,293 in reimbursement claims and the state paid \$1,000, leaving a balance of \$616,293 for reimbursable activities, subject to audit. Based on these reimbursement claims we estimate that approximately up to \$140,000 in annual costs will not be incurred. To the extent that districts that file reimbursement claims under this mandate participate in the Mandates Block Grant program, this annual cost avoidance would be lower.

The forgoing analysis provides substantiation that the reimbursable activities pursuant to Education Code section 81821 identified in the Community College Construction Statement of Decision should cease to be eligible for reimbursement effective June 20, 2014, therefore the state's liability for mandate reimbursement pursuant to Article XIII B, Section 6 of the California Constitution should be zero after that date.

**DECLARATION OF CHRIS FERGUSON**  
**DEPARTMENT OF FINANCE**

1. I am currently employed by the State of California, Department of Finance (Finance), am familiar with the duties of Finance, and am authorized to make this declaration on behalf of Finance.

I certify under penalty of perjury that the facts set forth in the foregoing are true and correct of my own knowledge except as to the matters therein stated as information or belief and, as to those matters, I believe them to be true.

6/19/2015

at Sacramento, CA



Chris Ferguson

**Request to Adopt a New Test Claim and Amend Parameters & Guidelines**  
**Department of Finance**  
**Community College Construction (02-TC-47)**  
**Section 7: Documentation**

**Statute Before Chapter 34, Statutes of 2014**

Education Code section 81821

The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to elements including at least all of the following:

- (a) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.
- (b) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the community college district.
- (c) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (d) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (e) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- (f) An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

**Request to Adopt a New Test Claim and Amend Parameters & Guidelines**  
**Department of Finance**  
**Community College Construction (02-TC-47)**  
**Section 7: Documentation**

**Statute After Chapter 34, Statutes of 2014**

Education Code section 81821

(a) The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to at least both of the following elements:

(1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors.

(2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

(b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but not limited to:

(1) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs that may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.

(2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the Chancellor of the California Community Colleges.

(3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.

(4) An estimate of district funds that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

**Request to Adopt a New Test Claim and Amend Parameters & Guidelines**  
**Department of Finance**  
**Community College Construction (02-TC-47)**  
**Section 7: Documentation**

Link to the State Controller's Office's Deficiency Report: [http://www.sco.ca.gov/Files-ARD-Local/LocRep/locrim\\_reports\\_deficiency2015.pdf](http://www.sco.ca.gov/Files-ARD-Local/LocRep/locrim_reports_deficiency2015.pdf)

**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 July 1, 2015, I served the:

**New Filing; and Notice of Complete Filing and Schedule for Comments**

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
and Statutes 1995, Chapter 758

As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

California Department of Finance, Requester

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 July 1, 2015 at Sacramento, California.

  
\_\_\_\_\_  
Jill L. Magee  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 6/26/15

**Claim Number:** 14-MR-03

**Matter:** Community College Construction (02-TC-47)

**Requester:** Department of Finance

### 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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BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

**Exhibit B**

IN RE TEST CLAIM ON:

Education Code Sections 70902(b)(1),<sup>1</sup> 81663, 81800, 81805, 81807, 81808, 81820, 81821, 81822, 81823, 81836, 81837, 81839;

Statutes 1980, Chapter 910, Statutes 1981, Chapter 470, Statutes 1981, Chapter 891, Statutes 1988, chapter 973, Statutes 1990, Chapter 1372, Statutes 1991, chapter 1038, Statutes 1995, Chapter 758;

California Code of Regulations, Title 5, Sections 57001, 57001.5, 57001.7, 57002, 57010, 57011, 57013, 57014, 57015, 57016, 57033.1, 57050, 57051, 57052, 57053, 57054, 57055, 57060, 57061, 57062, 57063, 57150, 57152, 57154, 57156, 57158;

Register 75, No. 40 (Oct. 4, 1975) page 673; Register 77, No. 45 (Nov. 6, 1977) pages 673-674; Register 80, No. 39 (Sept. 27, 1980) page 675-676.1; Register 80, No. 44 (Nov. 1, 1980) pages 676.5-676.6; Register 81, No. 3 (Jan. 17, 1981) pages 673-676.6; Register 83, No. 18 (April 30, 1983) pages 666.27 – 666.36; Register 91, No. 23 (June 7, 1991) pages 371 – 377; Register 91, No. 43 (Oct. 25, 1991) pages 371-372; Register 94, No. 38 (Sept. 23, 1994) page 371; Register 95, No. 23 (June 9, 1995) pages 371 – 389.

Filed on June 27, 2003 by

Santa Monica Community College District,  
Claimant

Case No.: 02-TC-47

*Community College Construction*

STATEMENT OF DECISION  
PURSUANT TO GOVERNMENT  
CODE SECTION 17500 ET SEQ.;  
TITLE 2, CALIFORNIA CODE OF  
REGULATIONS, DIVISION 2,  
CHAPTER 2.5, ARTICLE 7.

*(Adopted on October 27, 2011)*

**STATEMENT OF DECISION**

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<sup>1</sup> This section was severed from the *Minimum Conditions for State Aid* test claim (02-TC-25 & 02-TC-31) in a May 6, 2011 letter from the Commission to the test claimant.

The Commission on State Mandates (Commission) heard and decided this test claim during a regularly scheduled hearing on October 27, 2011. Keith Petersen appeared on behalf of the claimant. Susan Geanacou appeared on behalf of the Department of Finance.

The law applicable to the Commission's determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code section 17500 *et seq.*, and related case law.

The Commission adopted the staff analysis to approve the test claim at the hearing by a vote of 5-0.

### **Summary of the Findings**

Five-Year Plan for Capital Construction: The district governing board is required to establish policies for and approve current and long-range facilities plans and submit them to the board of governors for review and approval. The Commission finds that this does not impose a new program or higher level of service because it has been required continuously since before 1975.

The district governing board is required to prepare and submit to the Board of Governors a plan for capital construction that reflects the capital construction of the district for the five-year period commencing with the next proposed year of funding. The plan is subject to continuing review and is annually extended each year and any changes to it are annually submitted to the Board of Governors.

Although the requirement to prepare and submit a five-year plan is not a new program or higher level of service, some of the required contents of the plan were expanded by the test claim statutes. Thus, the Commission finds a state-mandated reimbursable program requiring districts to include the following in their five year plan, subject to continuing review, and report to the Board of Governors on any changes in the following:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors. (§ 81821(f).)

Districts are authorized to submit the five-year plan on the basis of each college or educational center maintained by the district under specified circumstances. The Commission finds that this activity does not mandate a new program or higher level of service.

The Board of Governors is required to review and approve each district's capital construction plan. The Commission finds that this provision imposes no requirements on community college districts.

State-Funded Capital Outlay Projects: Districts may seek state funding for capital construction projects, as specified, that qualify for it by submitting an application for approval. Districts that seek these funds may be required to pay fees for plan review and approval, meet with local park

and recreational authorities on joint use of facilities, transfer unused funds, submit a final report to the Chancellor, be subject to state post-audit review, and submit to additional review for projects that equal or exceed \$150,000.

Generally, seeking state funding for projects is a discretionary decision and not a state mandate. There is no evidence in the record of practical compulsion to seek this funding. Moreover, the requirements that districts must meet in order to obtain state funding are not a new program or higher level of service. They were all required under preexisting law.

District-Funded Construction Projects: These projects, which are paid for with non-state funds, only require review if they cost \$150,000 or more. Activities required when these projects are undertaken include paying a fee for new school sites reviewed and approved, paying a fee for review of plans and specifications, and submitting an application for project approval to the Chancellor, as specified.

Although the activity to submit an application, including the plans and specifications, to the Chancellor's Office for approval of a district-funded project is mandated in certain situations, the requirement does not impose a new program or higher level of service. The review of plans and specification for projects that exceed a threshold amount (now \$150,000, formerly \$10,000) has been required since before 1975. In addition, the payment of the fees does not impose a new program or higher level of service.

Energy Efficient Facilities: Community colleges are authorized to enter into energy management agreements and borrow money to retrofit buildings for greater energy efficiency. The amount borrowed is not to exceed the amount to be repaid from energy cost savings. Claimant alleges various activities that are required when a districts seeks funding from the state for these energy retrofits.

The activities alleged by the claimant are downstream of the district's discretionary decision to enter into energy systems management agreements and seek funding for an energy conservation project. Thus, the Commission finds that they are not mandated by the state.

In sum, the Commission finds that Education Code sections 81820 and 81821(a), (b), (e), and (f) (Stats. 1980, ch. 910, Stats. 1981, ch. 470, Stats. 1981, ch. 891, Stats. 1995, ch. 758) constitute a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution to include the following information in the five-year plan for capital construction:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)

Community college districts are also eligible for reimbursement to continually review the information bulleted above and to report by February 1 of each year any required modifications or changes with respect to the information to the Board of Governors.

## COMMISSION FINDINGS

### Chronology

06/27/2003 Test claim 02-TC-47 filed by the Santa Monica Community College District  
02/18/2004 Department of Finance files comments  
03/16/2004 Community Colleges Chancellor's Office files comments  
04/01/2004 Claimant files rebuttal comments  
05/06/2011 Commission staff severs Education Code section 70902(b)(1) from the *Minimum Conditions for State Aid* test claim (02-TC-25 & 02-TC-31) and consolidates it with this test claim  
07/22/2011 Commission staff issues draft staff analysis  
08/03/2011 Commission staff extends comment period on the draft staff analysis  
08/23/2011 Claimant submits comments on the draft staff analysis

### I. Background

This test claim addresses capital construction plans of community college districts; capital outlay projects funded with or without the assistance of the state; and state-supported energy conservation projects of a community college district.

The Community College Construction Act of 1980 ("1980 Act") is the source of most of the test claim statutes. The legislative intent for the 1980 Act was expressed as follows:

The Legislature hereby declares that it is in the interest of the state and of the people thereof for the state to provide assistance to community college districts for the construction of community college facilities. The community college system is of general concern and interest to all the people of the state, and the education of community college students is a joint obligation and function of both the state and community college districts.

In enacting this chapter, the Legislature considers that there is a need to provide adequate community college facilities that will be required to accommodate community college students resulting from growth in population and from legislative policies expressed through implementation of the Master Plan for Higher Education. (Education Code § 81800 (b), Stats. 1980, ch. 910.)<sup>2</sup>

The 1980 Act is "administered by the Board of Governors of the California Community Colleges, and for purposes of the administration the board of governors shall adopt all necessary rules and regulations." The Board of Governors assembles "state-wide data on facility and

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<sup>2</sup> References are to the Education Code or to title 5 of the California Code of Regulations unless otherwise indicated.

construction costs, and ... formulate[s] cost standards and construction standards ..." (§ 81805) and allocates and disburses funds for district projects (§ 81807).

The genesis of the 1980 Act is the Junior College Construction Act of 1967 (Stats. 1967, ch. 1550, former Ed. Code, §§ 20050 et seq.). As enacted in 1967, its provisions were under the jurisdiction of the Department of Education. That same year, the Legislature created the Board of Governors of the California Community Colleges ("Board of Governors") and authorized the establishment of the Chancellor's Office (Stats. 1967, ch. 1549). It was not until 1971 that the Legislature amended the Community College Construction Act to make the Board of Governors and the Chancellor's Office responsible for its enforcement (Stats. 1971, ch. 1525). The Board of Governors (§§ 70901 & 71000), and the Chancellor's Office (§ 71090), are state entities.

Five-Year Plan for Capital Construction (§§ 70902(b)(1), 81820 – 81823): Community college district governing boards are required to:

Establish policies for, and approve, current and long-range academic and *facilities plans* and programs, and promote orderly growth and development of the community colleges within the district. In doing so, the governing board shall, as required by law, establish policies for, develop, and approve, comprehensive plans. The governing board shall submit the comprehensive plans to the board of governors for review and approval. (§ 70902 (b)(1), Stats. 1988, ch. 973, emphasis added.)

More specifically, district governing boards prepare and submit to the Board of Governors, "a plan for capital construction for community college purposes of the district" as follows:

The plan shall reflect capital construction for community college purposes of the district for the five-year period commencing with the next proposed year of funding. The five-year plan shall be subject to continuing review by the governing board and annually shall be extended one year, and there shall be submitted to the board of governors, on or before the first day of February in each succeeding year, a report outlining the required modifications or changes, if any, in the five-year plan. (§ 81820, Stats. 1990, ch. 1372.)

Districts may also submit the plan on the basis of each college or educational center maintained by the district, under specified circumstances. (§ 81823, Stats. 1980, ch. 910.)

The five-year plan sets forth the estimated capital construction needs of the district, and must include: (1) plans of the district concerning future academic and student services programs and their effect on estimated construction needs; (2) enrollment projections for each district as formulated by the Department of Finance; (3) current enrollment capacity of the district; (4) district office, library and supporting facility capacities; (5) an annual inventory of all facilities and land of the district; and (6) an estimate of district funds that would be available for capital outlay matching purposes. (§ 81821, Stats. 1995, ch. 758.) The Board of Governors reviews and evaluates the district's plan in terms of these elements of the capital construction program, and makes changes as appropriate, and notifies the district. (§ 81822, Stats. 1990, ch. 1372.) The Board of Governors similarly reviews and evaluates continuing five-year plans for capital construction submitted by the district governing boards, and notifies the district of the revised plan for capital construction. (*Ibid.*)

Capital Outlay Projects Funded with the Assistance from the State (§§ 81800-81808, 81836-81837, 81839, Cal. Code Regs, tit. 5, §§ 57001.5, 57010-57016, 57033.1, 57152): The legislative intent of the Community College Construction Act of 1980 is for, among other things, “the state to provide assistance to community college districts for the construction of community college facilities.” (§ 81800, Stats. 1980, ch. 910.)

The Board of Governors is required to administer the 1980 Act and adopt “all necessary rules and regulations” and “assemble statewide data on facility and construction costs, and on the basis thereof formulate cost standards and construction standards.” (§ 81805, Stats. 1980, ch. 910, Stats. 1990, ch. 1372.)<sup>3</sup>

“State-Funded Project” is defined as “a capital outlay project qualifying as a project pursuant to section 81805 of the Education Code that meets cost and construction standards formulated by the Board of Governors, and for which a district requests or receives State funding assistance.” (Cal. Code Regs., tit. 5, § 57152(c).) Projects and the associated costs that qualify for state funding assistance include the following:

- Planning, acquisition, and improvement of community college sites.
- Planning, construction, reconstruction, or remodeling of any permanent structure necessary for use as a classroom, a laboratory, a library, a performing arts facility, a gymnasium, the basic outdoor physical education facilities, the basic food service facilities, or child development centers, pursuant to section 79120 of the Education Code; related facilities necessary for the instruction of students or for administration of the educational program; maintenance or utility facilities essential to the operation of the foregoing facilities and the initial acquisition of equipment.
- Initial furnishing of, and initial acquisition of equipment for any facility leased or lease-purchased by a community college district as of August 1, 1987, for educational purposes. (Cal. Code Regs., tit. 5, § 57001.5, emphasis added.)<sup>4</sup>

Section 57152 of the title 5 regulations defines “capital outlay project” to include the “purchase of land and costs related thereto, including court costs, condemnation costs, legal fees, title fees, etc.; construction projects, including working drawings; and equipment related to a construction project regardless of cost or timing.”

The costs to plan or construct dormitories, student centers other than cafeterias, stadia, the improvement of sites for student or staff parking, or single-purpose auditoriums are not included in the definition of “projects” eligible for state funding. (Cal. Code Regs, tit. 5, § 57001.5(d).)

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<sup>3</sup> The regulations (Cal. Code Regs., tit. 5, §§57020-57032) concern standards for classroom use, laboratory use, classroom occupancy, laboratory occupancy, classroom space per station, capacity of future assignable space, capacity of future laboratory and service areas, office space, library space, and formulas. These regulations are not part of this test claim.

<sup>4</sup> Register 1991, No. 23 (April 5, 1991) page 371; Register 1991, No. 43 (Oct. 25, 1991) page 371; Register 1995, No. 23 (June 9, 1995) pages 371-372. This provision was in former Education Code section 20052 (Stats. 1967, ch. 1550, Stats. 1970, ch. 102).

Community college districts may submit proposed projects to the Chancellor for review and approval or disapproval. The proposed project is “an element of the district’s plan for capital construction.” (Cal. Code Regs., tit. 5, § 57014.)

When a community college district proposes to acquire new college sites, the Board of Governors is required to advise the community college district on the acquisition, and after a review of available plots, give the governing board of the district a written list of approved locations in the order of their merit. The list of approved locations shall take into account educational merit, reduction of traffic hazards, and conformity to the organized regional plans as presented in the master plan of the planning commission having jurisdiction. The Board of Governors shall charge the governing board of the community college district a reasonable fee for each 10 acres or fraction thereof of schoolsite reviewed. (§ 81836(a).)

In addition, any community college district planning, designing, or constructing new facilities funded with the assistance of the state is required to meet with appropriate local government recreation and park authorities and report to the Chancellors’ Office plans to achieve: (a) a greater use of any joint or contiguous recreation and park facilities by the district; and (b) possible use by the total community of such facilities and sites and recreation and park facilities.” (Cal. Code Regs., tit. 5, § 57013.)

The Chancellor is required to review and evaluate each proposed project with reference to the elements of the capital construction program specified in section 81821, the five-year plan elements described above. Review includes the following:

- (a) An architectural analysis to determine the costs of the various phases of the project, with particular attention to be directed to the type of construction, unit costs, and the efficiency of particular buildings and facilities in terms of effective utilization of area.
- (b) Determining the amount of federal funds available for the project, and taking appropriate measures to ensure that the project will qualify for the maximum amounts of federal funds practicable under the circumstances. [¶]. . . [¶]
- (c) Determining the total cost of the project, reducing the total cost by the amount of federal funds available thereof, and determining the remainder to be borne by the state, or, if the district has matching funds, by the state and by the district. [¶]. . . [¶] [Determining district ability to provide matching funds is based on Education Code section 57033.1]. Private funds available for specific projects may be used as a credit towards the district match.
- (d) Determining the total of funds required for the first phase of the project to be provided on a matching basis by the state and the district, and the total state appropriation required to be provided for the project or one or more of its phases. (Cal. Code Regs., tit. 5, § 57015.)

The Chancellor is required to adopt criteria for determining districts’ matching shares of the cost of capital outlay projects. Based on those criteria, the Chancellor recommends each district’s match, which is reviewed by the Board of Governors in forwarding its annual budget request to the Department of Finance for determination by the Legislature. (Cal. Code Regs., tit. 5, § 57033.1.)



A community college district may include a proposed site in its plans for a project and may enter into an agreement with the owner of property for an option to purchase, or lease with an option to purchase. This agreement “shall in no way affect the determination of the share of the cost of the project to be borne by the state . . . .” (Ed. Code, § 81839.)

If a proposed project is submitted by a district to the Chancellor by February 1 of each year, the regulations require the Chancellor to act on it “pursuant to section 57014 on or before the next succeeding May 1 of each year.” (Cal. Code Regs., tit. 5, § 57016.)

Funds appropriated for a community college district’s project are to be allocated and disbursed on order of the Board of Governors and by warrants of the Controller. (Ed. Code, § 81807.) If an existing community college district is included in a newly formed community college district, any unused funds appropriated or authorized to be appropriated for a finally approved project shall be transferred to the newly formed community college district on the date the district is effective for all purposes, or earlier if the governing boards agree. (Ed. Code, § 81808.) Federal funds subject to a federal grant are required to be prorated if “the physical detail and intent of a project subject to a federal grant differs materially from the physical detail and intent for which state funds are appropriated.” (Cal. Code Regs., tit. 5, § 57002.)

On completion of a project, the district governing board is required to submit to the Chancellor, “within 30 days after the closure of the current fiscal year, a final report on all expenditures in connection with the source of the funds expended. The district shall be subject to a state post-audit review of fund claims for all such projects.” (Cal. Code Regs., tit. 5, § 57011.)

Community college districts may appeal decisions of the Chancellor’s Office in administering the Community College Construction Act to the Board of Governors. (Cal. Code Regs., tit. 5, § 57010.)

If a proposed project exceeds \$150,000, additional review and approval of the plans and specifications by the Board of Governors is required. The governing board of each community college district, before letting any contract totaling \$150,000 or more in the erection of any new community college facility, or for any addition to, or alteration of any existing community college facility, is required to submit the plans to the Board of Governors and obtain the written approval of the plans. (Ed. Code, § 81837.) The Board of Governors, for a reasonable fee charged to the district, is required to review the plans and specifications for these projects. The Board of Governors can either approve the plans and specifications as submitted, or return without approval and with recommendation for changes any plans that do not conform to established standards. (Ed. Code, § 81836.) No contract for construction made by any governing board of a community college district that exceeds \$150,000 is valid without the approval of the Board of Governors. In addition, no public money shall be paid for erecting, adding to, or altering any facility without the approval of the Board of Governors when the cost of the project exceeds \$150,000. (Ed. Code, § 81837.)

District-Funded Capital Outlay Projects (§§ 81836 & 81837, Cal. Code Regs, tit. 5, §§ 57150-57158): A district-funded project is defined as “a capital outlay project subject to the requirements of section 81837 of the Education Code [i.e., contracts that are \$150,000 or more that are subject to the approval of the Board of Governors] for which any funds, other than state funds, are paid or to be paid for erecting, adding to, or altering any community college facility.” (Cal. Code Regs, tit. 5, § 57150.)

A capital outlay project includes the purchase of land and the construction project. When a community college district proposes to acquire new college sites, the Board of Governors is required to advise the community college district on the acquisition, and after a review of available plots, give the governing board of the district a written list of approved locations in the order of their merit. The list of approved locations shall take into account educational merit, reduction of traffic hazards, and conformity to the organized regional plans as presented in the master plan of the planning commission having jurisdiction. The Board of Governors shall charge the governing board of the community college district a reasonable fee for each 10 acres or fraction thereof of schoolsite reviewed. (Ed. Code, § 81836(a).)

Additionally, in each case of a district funded project, the application for approval of plans shall be submitted to the Chancellor and be accompanied by the plans and full, complete, and accurate take-off of assignable and gross square feet of space, which shall comply with any and all requirements prescribed by the Chancellor. (Cal. Code Regs, tit. 5, § 57154.) The Chancellor is required to review and evaluate each district-funded project with reference to the elements of the capital construction program specified in Education Code section 81821; i.e., the plans of the district concerning its future academic and student services programs, enrollment projections, the current enrollment capacity, district supporting facility capacities, and an annual inventory of all facilities and land of the district. The Chancellor's review shall be "directed particularly to ascertain whether the locally funded project is of appropriate size, is appropriately timed and is justified in terms of the elements of the capital construction plan and where applicable, the standards adopted by the Board of Governors." (Cal. Code Regs., tit. 5, § 57156.)

The Chancellor is required to approve the district-funded plans when the analysis shows that approval of the plans for a proposed facility would not result in facilities that would be substantially at variance with space and utilization standards adopted by the Board of Governors.

When the Chancellor's analysis shows that the approval of the plans would result in facilities that would be substantially at variance with space and utilization standards adopted by the Board of Governors, the Chancellor is required to either impose conditions for the approval of the plans or find that despite the variance, the plans are acceptable and respond to the district with cautions or appraisal of the potential consequences of the variance. (Cal. Code Regs., tit. 5, § 57158.)

Energy efficient facilities (§ 81663, Cal. Code Regs, tit. 5, §§ 57050-57063): Any community college may enter into an agreement for solar, energy, or solar and energy management systems. (Ed. Code, § 81660.)

Community college districts are authorized to borrow funds from "federal or state regulated financial institutions" in order to retrofit buildings for more energy efficiency, but the "amount borrowed shall not exceed the amount that can be repaid from energy cost avoidance savings accumulated from the improvement of facilities." (§ 81663, Stats. 1991, ch. 1038, Cal. Code Regs, tit. 5, § 57061.)

The related regulations were originally enacted in 1980 "for the purpose of administration and implementation of Board of Governors Energy and Resources Policy under the Community College Construction Act" (Cal. Code Regs., tit. 5, § 57050). Part of the 1980 Community College Construction Act appropriated "from the Energy and Resources Fund to the Board of Governors of the California Community Colleges the sum of fifty thousand dollars (\$50,000)." The funds were not to be allocated "prior to the approval by the Department of Finance of a

statewide priority listing of the projects proposed to be funded in the 1981-1982 Governor's Budget." (Stats. 1980, ch. 910, § 4, subds.(a) & (b).)

The legislative intent for the energy regulations (Cal. Code Regs., tit. 5, §§ 57050-57063) is stated as follows:

The Board of Governors finds and declares that it is in the interest of the state and of the people thereof for the state to aid community college districts in finding cost-effective methods of conserving energy in buildings maintained by the districts. The Board of Governors also finds that while many districts may desire to participate in energy conservation programs designed to reduce the steadily rising costs of meeting the energy needs of district buildings, that the costs involved in improving existing facilities to become more energy efficient are often prohibitive.

It is the intent of the Board of Governors in adopting this regulation to encourage community college districts to retrofit buildings so as to conserve energy and reduce the costs of supplying energy. (Cal. Code Regs, tit. 5, § 57060.)

Districts requesting a state-supported energy conservation project are required to provide "a summary of the district's Energy Conservation program as part of its five-year construction plan." (Cal. Code Regs, tit. 5, § 57052.) When the need for an energy conservation project<sup>5</sup> has been adequately established, the project must be submitted "as a project planning guide in accordance with established format to the Chancellor's Office." Energy conservation projects are ranked on the basis of criteria developed by the Chancellor's Office (Cal. Code Regs, tit. 5, § 57055). The criteria include the level of energy use, pay-back period, and "the extent to which the district has implemented an energy conservation program which meets the objectives specified in Board of Governor's Policy Statement on Energy and Resource Conservation." (Cal. Code Regs, tit. 5, § 57054.)

Districts are required to contract with "qualified businesses capable of retrofitting school buildings." (Cal. Code Regs, tit. 5, § 57063). In determining the lowest responsible bidder for the energy management system, the governing board of the community college district shall consider the net cost or savings of each system. "Net cost or savings" means "the cost of the system to the district, if any, less the projected energy savings to be realized from the energy management system." The governing board may require an independent evaluation of the projected energy savings. (Ed. Code, § 81661.)

## **II. Positions of Parties and Interested Parties**

### **A. Claimant's Position**

Claimant asserts that the test claim statutes and regulations constitute a reimbursable state-mandated program within the meaning of article XIII B, section 6, and Government Code section 17514 for a community college district to do the following:

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<sup>5</sup> "Energy Conservation Project" means: the acquisition, development, or modification of facilities and equipment which result in the conservation of energy; energy audits; energy conservation and operating procedures; energy conservation measures; water conservation measures; and redraft consisting of modifications made to existing equipment or structures. (Cal. Code Regs, tit. 5, § 57051(a).)

- A. Transfer any unused project funds appropriated, or authorized for appropriation, when the existing district is incorporated into a newly formed district (Ed. Code, § 81808).
- B. Prepare and submit a plan for capital construction to the Board of Governors of the California Community Colleges reflecting the five-year period commencing with the next proposed year of funding (Ed. Code, § 81820). The capital construction plan is subject to annual review by the Board and a report outlining any required changes must be submitted on or before the first day of February (Ed. Code, §§ 81820 & 81823, Cal . Code Regs. tit. 5, § 57014).
- C. Set out the estimated capital construction needs of the district in its five-year capital construction plan including:
  - 1) The district's plans concerning its future academic and student services programs, and the effect on estimated construction needs arising from particular courses of instruction, subject matter areas or student services to be emphasized (Ed. Code, § 81821(a));
  - 2) The district's enrollment projections (Ed. Code, § 81821(b));
  - 3) The district's current enrollment capacity (Ed. Code, § 81821(c));
  - 4) The district's office, library and supporting facility capacities (Ed. Code, § 81821(d));
  - 5) The district's annual inventory of all facilities and land (Ed. Code, § 81821(e)); or
  - 6) The district's estimate of funds available for capital outlay matching purposes (Ed. Code, § 81821(f)).
- D. Include justification and documentation in its capital construction plan when it is deemed necessary by the district to submit its plan for capital construction on the basis of each college or educational center maintained by it to better serve its students because:
  - 1)The students are isolated within the district in terms of distance or inadequacy of transportation, and the students are financially unable to meet the costs of transportation to an educational program (Ed. Code, § 81823(a)(1) & (b)); or
  - 2)The inability of the existing colleges and educational centers to meet the unique educational and cultural needs of a significant number of ethnic students (Ed. Code, § 81823(a)(2) & (b)).
- E. Pay the Board of Governors any reasonable fees charged for the review of proposed new college sites (Ed. Code, § 81836).
- F. Submit its capital construction plans for any new college facility, or for any addition to, or alteration of, an existing facility totaling more than \$150,000 to the Board of Governors before contracting for such (Ed. Code, § 81837). No contract is valid, nor will any public money be paid out before the district receives written approval from the Board of Governors (Ed. Code, § 81837).
- G. As may be necessary, include a proposed site in its capital construction plan, and enter into an option contract with the property owner whereby the district pays the consideration for the option (Ed. Code, § 81839).

- H. Apply, as may be necessary, for project assistance under the Community College Construction Act of 1980, including:
- 1) The planning, acquisition, and improvement of community college sites (Cal.Code Regs., tit. 5, § 57001.5(a));
  - 2) The planning, construction, reconstruction, or remodeling of any permanent structure necessary for use as a classroom, a laboratory, a library, a performing arts facility, a gymnasium, the basic outdoor physical education facilities, the basic food service facilities, or child development centers (Cal.Code Regs., tit. 5, § 57001.5(a));
  - 3) Related facilities necessary for the instruction of students or for administration of the educational program (Cal.Code Regs., tit. 5, § 57001.5(a));
  - 4) Maintenance or utility facilities essential to the operation of the foregoing facilities and the initial acquisition of equipment (Cal.Code Regs., tit. 5, § 57001.5(a));
  - 5) The initial furnishing of, and initial acquisition of equipment for, any facility leased or lease-purchased by a district as of August 1, 1987, for educational purpose or purposes (Cal.Code Regs., tit. 5, § 57001.5(a)); and
  - 6) The reconstruction or remodeling of any facility leased or leased-purchased for educational purposes (Cal.Code Regs., tit. 5, § 57001.5 (b)). Title or any other interest considered sufficient by the district shall be transferred, but a district must repay the state for any unamortized state costs if the lease is terminated prior to amortizing the reconstruction or remodeling costs. If the district leases property from the federal government, the state, or any county, city and county, city, or district for the purposes of constructing school buildings and facilities, it is eligible for state funding (Cal.Code Regs., tit. 5, § 57001.5(b)).
- I. Appeal to the Board of Governors any action of the Chancellor adversely affecting the district (Cal.Code Regs., tit. 5, § 57010).
- J. Submit to the Chancellor, within 30 days after the closure of the current fiscal year, a final report on all expenditures in connection with the sources of funds expended for completed projects (Cal.Code Regs., tit. 5, § 57011). The district must further submit to any state post-audit review of funds claims for all projects (Cal.Code Regs., tit. 5, § 57011).
- K. Meet with appropriate local government recreation and park authorities to review all possible methods of coordinating planning, design, and construction of new facilities and sites or major additions to existing facilities and recreation and park facilities in the community (Cal.Code Regs., tit. 5, § 57013). Any district planning, designing, or constructing new facilities must report to the Chancellor's office on plans to achieve:
- 1) A greater use of any joint or contiguous recreation and park facilities by the district (Cal.Code Regs., tit. 5, § 57013(a)); and
  - 2) Possible use by the total community of such facilities and sites and recreation and park facilities (Cal.Code Regs., tit. 5, § 57013(b)).
- L. Include in its capital construction program submission to the Chancellor's Office the following to aid in the review and evaluation process:

- 1)An architectural analysis to determine costs of the various phases of the project, with a particular attention to be directed to the type of construction, unit costs, and the efficiency of particular buildings and facilities in terms of effective utilization of area (Cal.Code Regs., tit. 5, § 57015(a));
  - 2)A determination of the amount of federal funds available for the project, taking appropriate measures to ensure that the project will qualify for the maximum amounts of federal funds practicable under the circumstances (Cal.Code Regs., tit. 5, § 57015(b));
  - 3)A determination of the total cost of the project, reducing the total cost by the amount of federal funds available thereof, and determining the remainder thereof to be borne by the state, or, if the district has matching funds, by the state and by the district (Cal.Code Regs., tit. 5, § 57015(c)). If the district ability is sufficient to meet the matching costs of the project or its individual phases of planning, working drawings, construction, equipment, or land acquisition, the district must bear its matching share of the cost of the project or one or more of it phases, the district shall provide the moneys available, as defined by the Board of Governors, and state funds may be requested to provide the balance of funds required (Cal.Code Regs., tit. 5, § 57015(c)); and
  - 4)A determination of the total of funds required for the first phase of the project to be provided on a matching basis by the state and the district (Cal.Code Regs., tit. 5, § 57015(d)).
- M. Include a summary of the local district energy conservation program and indicate its need for such assistance in its annual five-year construction plan when requesting a state supported energy conservation project (Cal.Code Regs., tit. 5, § 57052(a) & (b)).
- N. When the need for state financial assistance has been adequately established, the energy conservation project must be submitted as a project planning guide in accordance with the Chancellor's Office's established format including evidence of an approved Energy Audit on file with the California Energy Commission (Cal.Code Regs., tit. 5, § 57053).
- O. Include in its preliminary plans for energy related projects: (1) the results of a technical audit performed by an authorized Technical Auditor which describes in detail the energy conservation measures the project is to institute; (2) the status of the project as related to the various federal and state aided programs for energy conservation; and (3) an architectural or engineering analysis setting forth the detailed costs of the various elements of the project (Cal.Code Regs., tit. 5, § 57055(b)).
- P. Arrange, to the extent that services are available, for the pre-audit and post-audit of buildings by investor-owned or municipal utility companies or by independent energy audit companies or organizations which are recognized by federal or state regulated financial institutions (Cal.Code Regs., tit. 5, § 57062). The pre-audit must identify the type and amount of work necessary to retrofit the buildings and shall include an estimate of projected energy savings, while the post-audit must be conducted upon completion of the retrofitting of the buildings to insure that the project satisfies the recommendations of the pre-audit (Cal.Code Regs., tit. 5, § 57062).

- Q. Contract only with qualified business capable of retrofitting school buildings (Cal.Code Regs., tit. 5, § 57063).
- R. Include complete and accurate take-off of assignable and gross square feet of space, complying with any and all requirements prescribed by the Chancellor in each application for capital construction plan approval (Cal.Code Regs., tit. 5, § 57154).

Claimant, in its April 2004 comments, argues that the requirements attached to state funding are compelled and not discretionary, and asserts that legal compulsion is not necessary to find a state mandate.

Claimant also responds to Finance's argument that energy savings provide offsetting costs, stating that "the test claim legislation provides absolutely no offsetting savings" and that there is no evidence that the energy savings "will result in no net costs or be in an amount sufficient to fund the cost of the state mandate." (Gov. Code, § 17556(e).) Claimant also discusses various statutes and regulations, arguing that they are post-1975 state mandates.<sup>6</sup>

In comments on the draft staff analysis submitted in August 2011, claimant states that to determine whether an activity is a new program or higher level of service, the comparison needs to be between the statutes pled on the effective date of filing (here, July 1, 2001), with the law in effect on December 31, 1974. Claimant also argues that it is practically and legally compelled to build new facilities and obtain funding from the state for that purpose. Finally, claimant states that there is a lapse in legal requirements for statutes converted to regulations, even though the statutes state that they would be effective until the regulations were adopted. Thus, the claimant argues that the activities required by the regulations constitute a new program or higher level of service. As to all these issues, claimant admits that the findings in the draft staff analysis are consistent with prior Commission decisions.

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<sup>6</sup> In its April 2004 rebuttal to the state agency comments, claimant asserts that the comments of the California Community College Chancellor's Office are incompetent and should be excluded from the record because they are not signed under penalty of perjury "with the declaration that it is true and complete to the best of the representative's personal knowledge or information or belief." (Cal. Code Regs., tit. 2, § 1183.02 (c)). While the claimant correctly states the Commission's regulation, the Commission disagrees with the request to exclude the Chancellor's comments from the official record. Most of comments from the Chancellor's Office argue an interpretation of the law, rather than constitute a representation of fact. If this case were to proceed to court on a challenge to the Commission's decision, the court would not require sworn testimony for argument on the law. The ultimate determination whether a reimbursable state-mandated program exists is a question of law. (*County of San Diego v. State of California* (1997) 15 Cal.4th 68, 89.)

When facts are asserted and are relevant to one of the mandate elements, however, rules of evidence do come into play. The Commission may take official notice of any fact that may be judicially noticed by the courts (Cal. Code Regs., tit. 2, § 1187.5(c); Gov. Code, § 11515.) Official acts of the legislative and executive branches of government are properly subject to judicial notice. (Evid. Code, § 452(c).) The Commission may also consider facts provided by sworn testimony at the hearing on this test claim, or facts asserted in writing and supported with a declaration signed under penalty of perjury.

## **B. State Agencies' Positions**

### Department of Finance

In its February 2004 comments, Finance states that there are two activities that “could be interpreted as state-reimbursable mandated activities” as follows:

- 1) Inclusion in the five-year plan of the district’s estimate of funds available for capital outlay matching purposes (Ed. Code, § 81821(f)); and
- 2) Reporting to the Chancellor’s Office on plans to achieve greater use of joint facilities with parks and Recreation and possible use of new facilities by the community (Cal. Code Regs., tit. 5, § 57013).

As to the other activities, Finance does not agree they are reimbursable because either they are substantially similar to activities that have been continuously required since the Community College Construction Act of 1967, they are requirements imposed on the Chancellor’s Office and not local districts, they are discretionary, or they provide cost savings that meet or exceed the amount of expenses incurred.

### Community College Chancellor’s Office

In its March 2004 comments, the Chancellor’s Office states that “there are several bases for rejecting the Claim in its entirety.” Much of the test claim, for example, may be traced to requirements in effect since the Junior College Construction Act of 1967 (Stats. 1967, ch. 1550), or the Community College Construction Act of 1970 (Stats. 1970, ch. 102), and is therefore not reimbursable because it was mandated before 1975. The Chancellor’s Office also cites over \$3.5 billion in eight bond acts (from 1986 to 2004) for community college construction, in addition to “hundreds of millions of dollars of lease revenue bonds for community college capital construction” provided by the state.

In arguing that the test claim statutes are part of the minimum standards for community college construction that predate 1975, the Chancellor’s Office cites an opinion by the Attorney General (83 Ops.Cal.Atty.Gen. 111 (2000)) that reimbursement is often unavailable for minimum standards regulations. The Chancellor’s Office further asserts that the claimant has received state aid and therefore, has been compensated for compliance with the test claim statutes and regulations, and that receipt of state aid is discretionary and not required.

According to the Chancellor’s Office, “some of the challenged regulations have not been substantively amended since being converted into regulation by the Board of Governors in 1991 from statutes that predate 1975.” Regarding these statutes converted into regulations by Statutes 1990, chapter 1372, the Chancellor cites *Barnhard III v. Cabrillo Community College* (1999) 76 Cal.App.4th 181, arguing that based on this case, a statute converted into a regulation and the repealed statute are deemed to have equal dignity.

## **III. Discussion**

Article XIII B, section 6 of the California Constitution provides in relevant part the following:

Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse such local government for the costs of such programs or increased level of service.



The purpose of article XIII B, section 6 is to “preclude the state from shifting financial responsibility for carrying out governmental functions to local agencies, which are ‘ill equipped’ to assume increased financial responsibilities because of the taxing and spending limitations that articles XIII A and XIII B impose.”<sup>7</sup> Thus, the subvention requirement of section 6 is “directed to state mandated increases in the services provided by [local government] ...”<sup>8</sup>

Reimbursement under article XIII B, section 6 is required when the following elements are met:

1. A state statute or executive order requires or “mandates” local agencies or school districts to perform an activity.<sup>9</sup>
2. The mandated activity either:
  - a. Carries out the governmental function of providing a service to the public; or
  - b. Imposes unique requirements on local agencies or school districts and does not apply generally to all residents and entities in the state.<sup>10</sup>
3. The mandated activity is new when compared with the legal requirements in effect immediately before the enactment of the test claim statute or executive order and it increases the level of service provided to the public.<sup>11,12</sup>
4. The mandated activity results in the local agency or school district incurring increased costs. Increased costs, however, are not reimbursable if an exception identified in Government Code section 17556 applies to the activity.<sup>13</sup>

The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6.<sup>14</sup> The determination

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<sup>7</sup> *County of San Diego, supra*, 15 Cal.4th 68, 81.

<sup>8</sup> *County of Los Angeles v. State of California* (1987) 43 Cal.3d 46, 56.

<sup>9</sup> *San Diego Unified School Dist. v. Commission on State Mandates* (2004) 33 Cal.4th 859, 874.

<sup>10</sup> *San Diego Unified School Dist., supra*, 33 Cal.4th 859, 874-875 (reaffirming the test set out in *County of Los Angeles v. State of California* (1987) 43 Cal.3d 46, 56.

<sup>11</sup> *San Diego Unified School Dist., supra*, 33 Cal.4th 859, 874-875, 878; *Lucia Mar Unified School Dist. v. Honig* (1988) 44 Cal.3d 830, 835.

<sup>12</sup> Claimant asserts that when determining whether an activity is a new program or higher level of service, the comparison needs to be between the statutes pled on the effective date of filing (here, July 1, 2001), with the law in effect on December 31, 1974. The claimant is wrong. The California Supreme Court has repeatedly stated that to determine whether a required activity is new, thus imposing a new program or higher level of service, the test claim statute or regulation is compared to the legal requirements in effect immediately before its enactment. (See fn. 11.)

<sup>13</sup> *County of Fresno v. State of California* (1991) 53 Cal.3d 482, 487; *County of Sonoma v. Commission on State Mandates* (2000) 84 Cal.App.4th 1265, 1284; Government Code sections 17514 and 17556.

<sup>14</sup> *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551 and 17552.

whether a statute or executive order imposes a reimbursable state-mandated program is a question of law.<sup>15</sup> In making its decisions, the Commission must strictly construe article XIII B, section 6, and not apply it as an “equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities.”<sup>16</sup>

**Issue 1: Are the test claim statutes and regulations a state-mandated new program or higher level of service subject to article XIII B, section 6, of the California Constitution?**

**A. Five-Year Plan for Capital Construction (§§ 70902(b)(1), 81820 – 81823)**

1. Establish Policies and Plans for Facilities (§ 70902(b)(1), Stats. 1988, ch. 973)

Education Code section 70902 (b)(1) requires community college district governing boards to establish policies for and approve current and long-range facilities plans and submit the plans to the Board of Governors for review and approval.

This requirement, however, is not new. Former section 72231.5 (Stats. 1976, ch. 1010) required the district governing board to “Establish policies for, and approve, academic master plans and long-range plans for facilities. The district governing board shall submit such master plans to the board of governors for review and approval.” This requirement predates 1975. (Former § 200.6, Stats. 1970, ch. 102.) Thus, the Commission finds that Education Code section 70901(b) does not mandate a new program or higher level of service.

2. Five-year Plan for Capital Construction (§§ 81820-81821, Stats. 1980, ch. 910, Stats. 1981, ch. 470, Stats. 1981, ch. 891, Stats. 1990, ch. 1372, Stats. 1995, ch. 758)

Education Code section 81820 requires community college districts to:

- Prepare and submit to the Board of Governors a plan for capital construction that reflects the capital construction of the district for the five-year period commencing with the next proposed year of funding.
- Continually review the five-year plan and each year the plan shall be extended one year.
- On or before February first of each succeeding year, submit a report outlining the required modifications or changes, if any, in the five-year plan.

The contents of the five-year plan are listed in section 81821 as follows:

- (a) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.
- (b) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a

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<sup>15</sup> *County of San Diego, supra*, 15 Cal.4th 68, 109.

<sup>16</sup> *County of Sonoma, supra*, 84 Cal.App.4th 1265, 1280, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

district shall be made cooperatively by the Department of Finance and the community college district.

- (c) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (d) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (e) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- (f) An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors. (Stats. 1980, ch. 910, Stats. 1981, ch. 470, Stats. 1981, ch. 891, Stats. 1995, ch. 758.)

Claimant requests reimbursement for these activities.

The Department of Finance states the activity is the same as a requirement in the Community College Construction Act of 1967.

For the reasons below, the Commission finds that the requirements to prepare and submit a capital construction plan, to continually review that plan, and to report any changes to the Board of Governors are not new. However, the required contents of the capital construction plan have changed and now require districts to include additional information in their plans.

Before the test claim statutes (and before January 1, 1975), community college districts were required to prepare and submit a capital construction plan that reflects the five-year period commencing with the next proposed year of funding, and the plan was required to be annually extended for one year. Prior law also required an annual report outlining the modifications, if any, in the plan.<sup>17</sup>

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<sup>17</sup> Although section 81821 dates to the Junior College Construction Act of 1967 (Stats. 1967, ch. 1550), the 1974 version stated as follows:

On or before November 1, 1967, the governing board of each community college district shall prepare and submit to the chancellor a plan for capital construction for community college purposes of the district for the 10-year period commencing with that date. After January 1, 1975, the plan shall reflect capital construction for community college purposes of the district for the five-year period commencing with the next proposed year of funding. The plan shall be subject to continuing review by the governing board and each year shall be extended one year, and there shall be submitted to the chancellor on or before the first day of November in each succeeding year, a report outlining the required modification or changes, if any, in the plan. (Former § 20065, Stats. 1974, ch. 280.)

The Commission cannot, however, determine whether sections 81820 and 81821 mandate a new program or higher level of service without analyzing whether the contents of the five-year plan, as listed in section 81821, are new. This is especially true in light of the requirement in section 81820 for the five-year plan to be subject to “continuing review by the governing board.” Although continuing review was required immediately before the enactment of the 1980 test claim statute (and before 1975), the content of the capital construction plans and yearly reports have expanded as explained below.

Section 81821(a) was amended by Statutes 1980, chapter 910 to add the requirement to prepare and submit plans concerning future student services and the effect of the estimated construction needs because of the student services. The 1980 statute added the following underlined text to subdivision (a):

- (a) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.

In addition, prior law required that the plan include enrollment projections for each college within a district. The test claim statute (Stats. 1980, ch. 910) added the requirement to include enrollment projections for each educational center within a district. The 1980 amendment added the following underlined language to subdivision (b):

The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the community college district.

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This section was renumbered to section 81820 without change (Stats. 1976, ch. 1010), but was amended by Statutes 1977, chapter 36 (changing the report due date from November 1 to February 1) and Statutes 1979, chapter 797, which changed the 10-year plan to a five-year plan.

Claimant pled the 1980 and 1990 versions of section 81820. Statutes 1980, chapter 910, repealed and reenacted section 81820, as follows:

On or before February 1, 1981, the governing board of each community college district shall prepare and submit to the chancellor a plan for capital construction for community college purposes of the district. The plan shall reflect capital construction for community college purposes of the district for the five-year period commencing with the next proposed year of funding. The five-year plan shall be subject to continuing review by the governing board and annually shall be extended one year, and there shall be submitted to the chancellor on or before the first day of February in each succeeding year, a report outlining the required modification or changes, if any, in the five-year plan.

The 1990 version (Stats. 1990, ch. 1372) deleted “on or before February 1, 1981” in the first sentence, and changed submittal to the “board of governors” from “the chancellor” in the first and last sentences.

An educational center is administered by a college or district at a location away from the campus of the parent institution, and offers programs leading to certificates and degrees conferred by the parent institution.<sup>18</sup>

Statutes 1980, chapter 910, also amended subdivision (e) to add the underlined text:

- (e) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.

Prior law did not require including an annual inventory of the district's land in the capital construction plan.

Finally, subdivision (f) was added by the test claim statutes, Statutes 1980, chapter 910 and amended by Statutes 1995, chapter 758, to require that the plan include "an estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors."<sup>19</sup>

Thus, the Commission finds that sections 81820 and 81821 (Stats. 1980, ch. 910; Stats. 1981, ch. 170; Stats. 1995, ch. 758) impose new state-mandated activities on community college districts to include the following information in the five-year plan for capital construction, to continually review the following information and to report by February first of each year any required modifications or changes in the following information to the Board of Governors:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors. (§ 81821(f).)

The Commission further finds that these new mandated activities provide a service to the public and are uniquely imposed on community college districts and, thus, constitute a new program or higher level of service subject to article XIII B, section 6 of the California Constitution. The purpose of the chapter that includes sections 81820 and 81821 is to ensure that adequate community college facilities will accommodate community college students resulting from growth in population and from legislative policies expressed through the implementation of the Master Plan for Higher Education.<sup>20</sup> The new mandated activities are consistent with that purpose. Thus, the Commission finds that Education Code sections 81820 and 81821 (Stats.

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<sup>18</sup> California Code of Regulations, title 5, section 55180.

<sup>19</sup> Prior to Statutes 1995, chapter 758, the statute read "pursuant to Section 81838." Former section 81838 listed requirements of the Chancellor's Office in determining the district's matching share, but was repealed by Statutes 1990, chapter 1372.

<sup>20</sup> Education Code section 81800.

1980, ch. 910; Stats. 1981, ch. 170; Stats. 1995, ch. 758) mandate a new program or higher level of service as specified above.

3. Submit Plan on the Basis of Each College or Educational Center (§ 81823, Stats. 1980, ch. 910)

The Legislature provided an additional way to submit the five-year plan by allowing the district to submit the plan on the basis of each college or educational center maintained by the district under specified circumstances. Education Code section 81823 (Stats. 1980, ch. 910) states the following:

(a) If a community college district maintains colleges, or one college and one or more educational centers, it may additionally submit the plan required by Section 81820 on the basis of each college or educational center maintained by the district, if either of the following circumstances is present such that students will be better served by evaluating the capital outlay program for the district on that basis: (1) the isolation of students within a district in terms of the distance of students from the location of an educational program, or inadequacy of transportation, and student financial inability to meet costs of transportation to an educational program; or (2) the inability of existing colleges and educational centers in the district to meet the unique educational and cultural needs of a significant number of ethnic students.

(b) If a district elects to submit such a plan, it shall include therewith justification and documentation for so doing.

(c) When a district so elects, the evaluation of the plan pursuant to Section 81822 shall include an evaluation of both of the following:

(1) The justification and documentation for so doing, including enrollment projections for individual campuses and centers.

(2) The plan as thus submitted.

Based on section 81823, claimant alleges the following activities:

To include justification and documentation in its capital construction plan when it is deemed necessary by the district to submit its plan for capital construction on the basis of each college or educational center maintained by it to better serve its students because:

(a) The students are isolated within the district in terms of distance or inadequacy of transportation, and the students are financially unable to meet the costs of transportation to an educational program (Ed. Code, § 81823, subds.(a)(1) & (b)), or

(b) The inability of the existing colleges and educational centers to meet the unique educational and cultural needs of a significant number of ethnic students (Ed. Code, § 81823, subds.(a)(2) & (b)).

Finance states that this activity is discretionary.

Claimant asserts that complying with the statute is not discretionary “unless you can state publicly that these students are not required to be served.”

The Commission finds that the plain language of section 81823 is discretionary, not mandatory. The language states that the district “*may* additionally submit the plan required by Section 81820 on the basis of each college or educational center maintained by the district” and in subdivision (b), “if a district *elects* to submit such a plan” and in subdivision (c), “when a district so *elects* . . .” (emphasis added). Use of the word “*may*” in the statute renders it discretionary (§ 75), as well as twice stating that the district “elects” to submit such a plan.

Claimant’s argument alleges a mandatory duty on the district to provide for isolated students or the unique needs of ethnic students. Claimant’s reading of the statute, however, would insert “shall” instead of “may” in the first sentence of section 81823. Even if a community college district faces the situation where students are isolated in terms of distance from an educational program or the colleges in the district are unable to meet the unique or cultural needs of ethnic students, the statute still leaves the choice to the district to file additional plans based on each college or educational center. Nothing in the plain language of the statute reveals that a community college district would fail to comply if it submitted all of the information into one capital construction plan. Thus, the requirements in section 81823 to submit the justification and documentation are required only if the district makes the discretionary decision to submit the plan for each college or educational center.

As the Supreme Court stated in the *Kern School Dist.* case:

[A]ctivities undertaken at the option or discretion of a local government entity ... do not trigger a state mandate and hence do not require reimbursement of funds—even if the local entity is obliged to incur costs as a result of its discretionary decision to participate in a particular program or practice.<sup>21</sup>

Based on the rule in the *Kern School Dist.* case, since the initial decision to provide for the students is discretionary, the resulting downstream requirements are not legally compelled state mandates. Nor is there any indication in the record or the statute that complying with the statute is practically compelled by the state. Therefore, the Commission finds that section 81823 (Stats. 1980, ch. 910) does not impose any state-mandated activities on community college districts, and therefore is not subject to article XIII B, section 6.

Moreover, the provisions in section 81823 are not new. Claimant pled this section as added by Statutes 1980, chapter 910. However, section 81823 as it existed in 1979 (and last amended by Stats. 1977, ch. 910) provided for an identical reporting activity based on the same criteria, so the Commission finds that section 81823 is not a new program or higher level of service.

4. Review and Evaluate the District’s Capital Construction Plan (§ 81822, Stats. 1980, ch. 910, Stats. 1981, ch. 891, Stats. 1990, ch. 1372)

Education Code section 81822 requires the Board of Governors to “review and evaluate the plan for capital construction submitted by the governing board of each community college district in terms of the elements of the capital construction program specified in Section 81821” and “make the revision and changes therein as are appropriate, and notify the district.” The statute also requires a “similar review and evaluation of continuing five-year plans for capital construction” and notifying the district “of the content of the district’s revised plan for capital construction.”

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<sup>21</sup> *Department of Finance v. Commission on State Mandates (Kern High School Dist.)*(2003) 30 Cal.4th 727, 742.

Because section 81822 (Stats. 1980, ch. 910, Stats. 1981, ch. 891, Stats. 1990, ch. 1372) imposes requirements on the Board of Governors, but does not impose a requirement on a community college district, the Commission finds that it is not a state mandate subject to article XIII B, section 6.

**B. State-Funded Capital Outlay Projects (§§ 81800-81808, 81836-81837, 81839, Cal. Code Regs, tit. 5, §§ 57001.5, 57010-57016, 57033.1, 57152)**

Under the Community College Construction Act of 1980, any community college district may propose a capital outlay project for approval and seek state assistance to fund it.

“State-Funded Project” is defined in section 57152(c) as “a capital outlay project qualifying as a project pursuant to section 81805 of the Education Code [by meeting the cost and construction standards adopted by the Board of Governors], and for which a district requests or receives State funding assistance.” Projects and the associated costs that qualify for state funding include the following:

- Planning, acquisition, and improvement of community college sites.
- Planning, construction, reconstruction, or remodeling of any permanent structure necessary for use as a classroom, a laboratory, a library, a performing arts facility, a gymnasium, the basic outdoor physical education facilities, the basic food service facilities, or child development centers, pursuant to section 79120 of the Education Code; related facilities necessary for the instruction of students or for administration of the educational program; maintenance or utility facilities essential to the operation of the foregoing facilities and the initial acquisition of equipment.
- Initial furnishing of, and initial acquisition of equipment for any facility leased or lease-purchased by a community college district as of August 1, 1987, for educational purposes. (Cal. Code Regs., tit. 5, § 57001.5.)<sup>22</sup>

Section 57152 of the title 5 regulations defines “capital outlay project” to include the “purchase of land and costs related thereto, including court costs, condemnation costs, legal fees, title fees, etc.; construction projects, including working drawings; and equipment related to a construction project regardless of cost or timing.”

The costs to plan or construct dormitories, student centers other than cafeterias, stadia, the improvement of sites for student or staff parking, or single-purpose auditoriums are not included in the definition of “projects” eligible for state funding. (Cal. Code Regs, tit. 5, § 57001.5(d).)

Under the Community College Construction Act of 1980, any district “may” submit a proposed project to the Chancellor for review and approval or disapproval. The proposed project shall be in such form and contain such detail as will permit its evaluation and approval with reference to the elements of the capital construction program specified in section 81821 of the Education Code. (Cal. Code Regs., tit. 5, § 57014.) Thus, the proposed project submitted for approval is required to contain the plans of the district concerning its future academic and student services programs, enrollment projections, the current enrollment capacity, district supporting facility

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<sup>22</sup> Register 1991, No. 23 (April 5, 1991) page 371; Register 1991, No. 43 (Oct. 25, 1991) page 371; Register 1995, No. 23 (June 9, 1995) pages 371-372. This provision was in former Education Code section 20052 (Stats. 1967, ch. 1550, Stats. 1970, ch. 102).



capacities, an annual inventory of all facilities and land of the district, and an estimate of district funds that shall be made available for matching purposes.

If a community college district submits a proposal for one of the qualifying projects to the Chancellor's Office and seeks funding assistance from the state, then the following additional requirements are imposed on the community college district:

- When the district proposes to acquire a new college site, the district is required to pay the fee charged by the Board of Governors for each ten acres or fraction thereof of school sites reviewed and approved. (Ed. Code, § 81836.)
- When planning, designing, or constructing new facilities, the district is required to meet with appropriate local government recreation and park authorities in order to achieve a greater use of any joint or contiguous recreation and park facilities and to determine the possible uses by the total community of the facilities and sites. The information shall be reported to the Chancellor's Office. (Cal. Code Regs., tit. 5, § 57013.)
- If an existing district is included in a newly formed district, any unused funds appropriated or authorized to be appropriated for a finally approved project shall be transferred to the newly formed or including district. (Ed. Code, § 81808.)
- On completion of a project, and within 30 days after the closure of the current fiscal year, the district governing board is required to submit to the Chancellor a final report on all expenditures in connection with the source of funds expended. The district is subject to the state post-audit review of fund claims for all projects. (Cal. Code Regs., tit. 5, § 57011.)

The district also has the authority to include a proposed site in its plans for a project and enter into an agreement with the owner of the property for an option to purchase or lease, and to appeal any decision of the Chancellor's Office in administering the Community College Construction Act to the Board of Governors. (Ed. Code, § 81839; Cal. Code Regs., tit. 5, § 57010.)<sup>23</sup>

In addition, any district-proposed project for the erection of any new college facility or addition to, or alteration of an existing college facility that exceeds \$150,000, is required to go through additional review and approval under which the district is required to submit the plans and specifications for the project to the Board of Governors. In such cases, the community college district is required to submit the plans and specifications for the project to the Board of Governors and pay the fee charged by the Board of Governors for its review. (Ed. Code, § 81837.)

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<sup>23</sup> Section 81839 is not new. Former section 20085 (Stats. 71, ch. 373) authorized the same activities (except that "lease with an option to purchase" was added by Stats. 1976, ch. 1010). This section was renumbered to section 81845 by Statutes 1976, chapter 1010, and repealed and added (as renumbered § 81839) by Statutes 1980, chapter 910.

The right to appeal actions of the Chancellor to the Board of Governors is also not new. Former section 20055 of the Education Code (Stats. 67, ch. 1550, amended by Stats. 1971, ch. 1525) also provided this right. This provision was moved to Education Code section 81806 in 1976 (Stats. 1976, ch. 1010) and repealed by Statutes 1980, chapter 910.

The claimant seeks reimbursement for all of the activities identified above.

The Commission finds, however, that these activities do not mandate a new program or higher level of service.

Generally, a community college district has the discretionary authority to: 1) acquire property necessary to carry out the powers or functions of the district; 2) manage and control district property; and 3) determine and control the district's capital outlay budget.<sup>24</sup> Although community college districts are required to repair school property,<sup>25</sup> they are not required to seek state funding assistance to pay for the repairs. The plain language of the program provides that any community college "may" submit a proposed project for review and approval, and "request" state funding assistance.<sup>26</sup> Thus, it is the decision of a community college district to seek state funding assistance for proposed capital outlay projects that triggers the activities identified in statute. Under these circumstances, the activities are not mandated by the state.<sup>27</sup>

However, notwithstanding the language in the test claim statutes, a community college district is required by state law, pursuant to Education Code section 81179, to apply for state funding assistance under the Community College Construction Act whenever the district does not have the funds available to repair, reconstruct, or replace school buildings that have been determined by a licensed structural engineer or licensed architect to be unsafe for use. Some may argue that this statute mandates community college districts to comply with the test claim statutes and seek state assistance in the funding of the repair or replacement of district facilities.

However, since community college districts have been given the authority to manage and control their property and to determine and control their capital outlay budget, the finding of a mandate under these circumstances would need to be based on evidence in the record showing why the facility has gotten to the point of being unsafe for use and why the district does not have funds available for the repair or replacement. Although it is conceivable that Education Code section 81179 may lead to a situation where a community college district is practically compelled to comply with the test claim statutes and regulations (i.e., where a facility is damaged or destroyed by unforeseen circumstances or emergency), there is no evidence in the record that a community college district has no option or choice but to comply with the statutes and regulations. Practical compulsion requires a showing that the district is facing certain and severe penalties "such as double taxation or other draconian consequences."<sup>28</sup>

Moreover, the requirements that are triggered by the district's decision to seek state funding assistance are not new.

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<sup>24</sup> Education Code sections 70902 (b)(5)(6)(13), 81600, 81606.

<sup>25</sup> Education Code section 81601.

<sup>26</sup> Education Code section 81839; California Code of Regulations, title 5, sections 57014, 57152.

<sup>27</sup> *Kern High School Dist.*, *supra*, 30 Cal.4th 727, 743; *San Diego Unified School Dist.*, *supra*, 33 Cal.4th 859, 880.

<sup>28</sup> *Department of Finance v. Commission on State Mandates* (2009) 170 Cal.App.4th 1355, 1366; *Kern High School Dist.*, *supra*, 30 Cal.4th 727, 731.

Former Education Code section 20075 (Stats. 1971, ch. 1525) provided community college districts with the same authority as section 57014 of the regulations to submit a proposed project for review and approval by the Chancellor's Office. Former section 20075 stated:

Any community college district may submit to the Chancellor for review and approval a proposed project. The proposed project shall be an element of the district's plan for capital construction. It shall be in such form and contain such detail, pursuant to rules and regulations of the board of governors, as will permit its evaluation and approval with reference to the elements of the capital construction program specified in Section 20066 [which requires that the project proposal contain the same information as Education Code section 81821].<sup>29</sup>

Former section 20075 was renumbered to section 81830 by Statutes 1976, chapter 1010, and was amended by Statutes 1980, chapter 910. It was repealed by Statutes 1990, chapter 1372, effective January 1, 1991. Section 57014 was operative on April 4, 1991. Although there appears to be a three month gap between the repeal of former section 81830 and the effective and operative date of section 57014 of the title 5 regulations, the Legislature, in Statutes 1990, chapter 1372, continued the operation of section 81830 and continued the effect of that provision until the operative date of the regulations. Statutes 1990, chapter 1372 states in relevant part of the following:

- (a) Prior to January 1, 1991, the Board of Governors of the California Community Colleges shall initially adopt and put into effect regulations which incorporate the text of the following Education Code provisions that have been repealed or amended by this act. The text of these sections, as they relate to community colleges, may be changed when initially adopted as regulations in accordance

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<sup>29</sup> Former section 20066 (Stats. 1971, ch. 1525) stated:

The plan for capital construction shall set out the estimated capital construction needs of the district with reference to elements including at least all of the following:

- (a) The plans of the district concerning its future academic programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas to be emphasized.
- (b) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contract hours. The enrollment projections for each individual college within a district shall be made cooperatively by the Department of Finance and the community college district.
- (c) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors.
- (d) District office, library and supporting facility capacities as derived from the physical plant standards for office, library and supporting facilities adopted by the board of governors.
- (e) An annual inventory of all facilities of the district using standard definitions, forms, and instructions adopted by the board of governors.

with the character of the California Community Colleges as a postsecondary education system, as specified in Section 70900 of the Education Code, and the responsibilities assigned to the Board of Governors of the California Community colleges . . . . *The changes shall not alter the requirements, rights, responsibilities, conditions or prescriptions contained in these statutes.* Permitted initial changes include grammatical or technical changes, renumbering or reordering sections, removal of outdated terms or references to inapplicable or repealed statutory authority, and the correction of gender references of the following sections of the Education Code:

Sections . . . 81802, 81803, 81806, 81809, 81810, 81821.5, 81830, 81831, 81833, 81838 . . . . After initial adoption of the Board of Governors regulations specified by this section, all subsequent changes to those regulations shall be made in accordance with Section 70901.5 of the Education Code.

- (b) It is the intent of the Legislature that there be no lapse in the requirements, rights, responsibilities, conditions, or prescriptions contained in the statutes. *Should the board of governors fail to adopt and put into effect regulations in accordance with subdivision (a), the listed statutes shall remain operative until the effective date of the corresponding board of governors regulations.* (Stats. 1990, ch. 1372, § 708, subs. (a) & (b), emphasis added.)

In another case involving a repealed statute converted into a regulation by Statutes 1990, chapter 1372, the Sixth District Court of Appeal noted:

As part of the permissive code,<sup>[30]</sup> the Legislature also (1) directed that the Board of Governors of the California Community Colleges adopt regulations incorporating the text of specified repealed or amended Education Code sections, and (2) provided that the specified sections would remain operative until the effective date of the corresponding regulation. (Stats. 1990, ch. 1372, § 708, p. 6320.) It specifically stated: “It is the intent of the Legislature that there be no lapse in the requirements, rights, responsibilities, conditions, or prescriptions contained in the statutes.” (*Id.* at p. 6321.)<sup>31</sup>

Thus, the court stated the following about the regulation adopted in the aftermath of Statutes 1990, chapter 1372:

[The title 5 regulation] is no mere administrative regulation. It is a regulation adopted by the Board of Governors of the California Community Colleges pursuant to the board's constitutional authority and the Legislature's mandate to

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<sup>30</sup> The “permissive code” is based on article IX, section 14 of the California Constitution. This 1972 amendment added the following to that section: “The Legislature may authorize the governing boards of all school districts to initiate and carry on any programs, activities, or to otherwise act in any manner which is not in conflict with the laws and purposes for which school districts are established.” *Barnhart v. Cabrillo Community College* (1999) 76 Cal.App.4th 818, 824.

<sup>31</sup> *Id.* at p. 825.

the board to keep in effect the “requirements, rights, responsibilities, conditions, or prescriptions” of an identical repealed statute.

This also applies to the section 57014 regulation. Thus, since 1971, community college districts have had the continuing authority to submit to the Chancellor for review and approval a proposed capital outlay project and to seek state funding assistance for the proposed project.

In addition, the requirements in Education Code section 81836 to pay the fees charged by the Board of Governors for each ten acres or fraction thereof of school sites reviewed and approved when the community college district proposes to acquire a new college site, and to pay for the review of the plans and specifications of projects, have existed since at least 1974. Former Education Code section 20080.1 (Stats. 1974, ch. 30) required the Chancellor to:

- (a) Advise the governing board of each community college district on the acquisition of new college sites, and, after a review available plots, give the governing board of the district in writing a list of the approved locations in the order of their merit, considering especially the matters of educational merit, reduction of traffic hazards, and conformity to the organized regional plans as presented in the master plan of the planning commission having jurisdiction, *and charge the governing board of the community college district a fee of twenty-five dollars (\$25) for each 10 acres or fraction thereof of each school site reviewed.*
- (b) Establish standards for community college facilities.
- (c) Review all plans and specifications for all construction in every community college district required to submit plans and specifications therefor to it for approval. *The Chancellor’s office shall charge community college districts for the review of plans and specifications, a fee of one-seventh of 1 percent of the estimated cost determined by the chancellor’s office except for those projects intended to be funded totally with district funds in which case a fee of one-twentieth of 1 percent will be charged. The minimum fee in any case shall be ten dollars (\$10).*
- (d) Approve plans and specifications submitted by the governing boards of community college districts, and return without approval and with recommendation for charges, any plans not conforming to established standards. (Emphasis added.)

This section was renumbered to section 81836 by Statutes 1976, chapter 1010, and the fee provision was amended in subdivision (a) by Statutes 1980, chapter 910 to “a reasonable fee as determined by the chancellor’s office for each 10 acres or fraction thereof of school site reviewed.” Subdivision (d) was amended by Statutes 1980, chapter 910, to “a reasonable fee as established by the board of governors.” It was amended to its current form by Statutes 1990, chapter 1372. Thus, the Chancellor has been authorized to charge a fee continuously since before 1975.

Claimant argues that to the extent that the “reasonable fees” exceed the amounts under prior law, they are additional costs for which reimbursement is allowable.

The Commission disagrees. Claimant confuses an increased cost to provide a service, which, by itself, is not reimbursable, with an actual higher level of service, which may be reimbursable. As the Supreme Court explained in *San Diego Unified School Dist.*, (2004) 33 Cal.4th 859, 877:

Viewed together, these cases (*County of Los Angeles, supra*, 43 Cal.3d 46, 233 Cal.Rptr. 38, 729 P.2d 202, *City of Sacramento, supra*, 50 Cal.3d 51, 266 Cal.Rptr. 139, 785 P.2d 522, and *City of Richmond, supra*, 64 Cal.App.4<sup>th</sup> 1190, 75 Cal.Rptr.2d 754) illustrate the circumstance that simply because a state law or order may *increase the costs borne* by local government in *providing services*, this does not necessarily establish that the law or order constitutes an *increased or higher level* of the resulting “service to the public” under article XIII B, section 6, and Government Code section 17514.

By contrast, Courts of Appeal have found a reimbursable “higher level of service” concerning an existing “program” when a state law or executive order mandates not merely some change that increases the cost of providing services, but an increase in the actual level or quality of governmental services provided.  
[Emphasis in original.]

Any increase in fees charged by the Chancellor to review plans is merely an increase in the cost of obtaining or providing the service, not an increase in the level or quality of governmental services provided. Therefore, the Commission finds any increase in fees in section 81836 (Stats. 1980, ch. 910, Stats. 1990, ch. 1372) over former versions of the statute is not a new program or higher level of service subject to article XIII B, section 6.

Furthermore, the requirements in section 57013 of the regulations to meet with appropriate local government recreation and park authorities when planning, designing, or constructing new facilities in order to achieve a greater use of any joint or contiguous recreation and park facilities and to determine the possible uses by the total community of the facilities and sites, and to report the information to the Chancellor’s Office, are not new. Section 57013 was adopted on April 5, 1991. However, in 1979, the Legislature enacted former Education Code section 81831.5 (Stats. 1979, ch. 797), and renumbered it as section 81821.5 in 1980 (Stats. 1980, ch. 910) to require the same activities as follows:

The governing board of any community college district shall meet with appropriate local government recreation and park authorities to review all possible methods of coordinating, planning, design, and construction of new facilities and sites or major additions to existing facilities and recreation and park facilities in the community. Any community college district planning, designing, or constructing new facilities and sites or major additions to existing facilities shall report to the chancellor’s office on plans to achieve (a) a greater use of any joint or contiguous recreation and park facilities by the district and (b) possible use by the total community of such facilities and sites and recreation and park facilities.

Education Code section 81821.5 was repealed by Statutes 1990, chapter 1372, effective January 1, 1991, and section 57013 of the regulations became effective on April 5, 1979. However, as discussed above, the Legislature continued the operation of section 81821.5 until the operative date of the regulation and, thus, there is no time gap in the operation of the requirement to meet with appropriate local government recreation and park authorities when planning, designing, or constructing new facilities. Thus, the requirement in section 57013 does not impose a new program or higher level of service.

Moreover, the requirement in Education Code section 81837 to submit the plans and specifications of a project costing more than \$150,000 to the Board of Governors for review and

approval has been the law since at least 1974. Former Education Code section 20080.2 (Stats. 1974, ch. 30) provided:

The governing board of each community college district, except districts governed by a city board of education, before letting any contract or contracts totaling ten thousand dollars (\$10,000) or more, for the erection of any new community college facility, or for any addition to, or alteration of, an existing community college facility, shall submit plans therefor to the chancellor's office, and obtain the written approval of the plans by the office. No contract for construction made by any governing board of a community college district contrary to the provisions of this section is valid, nor shall any public money be paid for erecting, adding to, or altering any facility in contravention of this section.

Former section 20080.2 was renumbered to section 81837 by Statutes 1976, chapter 1010, and repealed and reenacted by Statutes 1980, chapter 910. In 1981, it was amended to increase the threshold amount to \$150,000. Claimant pled the 1980 and 1981 versions of section 81837.

Because submitting plans for construction projects, as specified, has been continuously required since at least 1974, the Commission finds that section 81837 (Stats. 1980, ch. 910, Stats. 1981, ch. 891) is not a new program or higher level of service. The 1981 amendment raising the threshold amount to \$150,000 is not a new program or higher level of service, since it would result in fewer district submissions to the Chancellor for smaller projects.

The requirement in Education Code section 81808 to transfer any unused funds appropriated or authorized to be appropriated for a finally approved project to a newly formed district is also not new, but has been the law since 1967. Former Education Code section 20057 (Stats. 1967, ch. 1550) stated:

In the event an existing junior college district is included in a newly formed junior college district, any unused funds appropriated or authorized to be appropriated for a finally approved project of the included district pursuant to this chapter shall be transferred to the newly formed or including junior college district on the date that such district is effective for all purposes, or prior to such effective date where the governing boards of the districts agree to such earlier transfer.

Former section 20057 was amended to read "community" instead of "junior" college district in 1970 (Stats. 1970, ch. 102). The statute was renumbered in the 1976 Education Code without change as section 81808 (Stats. 1976, ch. 1010).

Finally, the requirement in section 57011 of the regulations to submit to the Chancellor a final report on all expenditures in connection with the source of funds expended, and to be subject to the post-audit review of fund claims by the state for all projects is not new. Former Education Code section 20058 (Stats. 1967, ch. 1550) stated the following: "Upon completion of a project the governing board of a junior college district shall submit to the Department of Education a final report on all expenditures in connection with the project and the sources of the funds expended."

In 1971, the statute was amended to require submitting the report to the Chancellor instead of the Department of Education. (Stats. 1971, ch. 1525.) This statute was renumbered to section 81809 by Statutes 1976, chapter 1010. In 1980 (Stats 1980, ch. 910) it was amended to add a deadline

of “within 30 days after the closure of the current fiscal year” for submission. In 1981 (Stats. 1981, ch. 891) it was amended to add: “The district shall be subject to a state post-audit review of fund claims for all such projects.” Section 81809 was repealed by Statutes 1990, chapter 1372, effective January 1, 1991. Section 57011 of the title 5 regulations was adopted effective April 5, 1991. However, as with the other statutes repealed by Statutes 1990, chapter 1372 discussed above, the Legislature continued the operation of section 81809 until the operative date of section 57011 of the title 5 regulations. Thus, the requirements imposed by section 57011 does not constitute a new program or higher level of service.

Accordingly, the Commission finds that requirements imposed when a district seeks state funding for capital outlay projects in accordance with the Community College Construction Act of 1980 (§§ 81800-81808, 81836-81837, 81839, Cal.Code Regs, tit. 5, §§ 57001.5, 57010-57016, 57033.1, 57152) does not mandate an new program or higher level of service.

**C. District-Funded Construction Projects (Ed. Code, § 81836 & 81837; Cal. Code Regs., tit. 5, §§ 57150 - 57158)**

A district-funded project is defined as “a capital outlay project subject to the requirements of section 81837 of the Education Code [i.e., contracts of \$150,000 or more subject to the approval of the Board of Governors] for which any funds, other than state funds, are paid or to be paid for erecting, adding to, or altering any community college facility.” (Cal.Code Regs, tit. 5, § 57150.) The following requirements are imposed with respect to district-funded capital outlay projects:

- When the community college district proposes to acquire a new college site, the community college district is required to pay the fee charged by the Board of Governors for each ten acres or fraction thereof of school sites reviewed and approved. (Ed. Code, § 81836(a).)<sup>32</sup>
- When the community college district proposes a project, the district is required to pay a reasonable fee for review of the project’s plans and specifications. (Ed. Code, § 81836(d).)
- Submit an application for approval of the project plans to the Chancellor. The application shall be accompanied by the plans and full, complete and accurate take-off of assignable and gross square feet of space, which shall comply with any and all requirements prescribed by the Chancellor. (Cal. Code Regs, tit. 5, § 57154.)

The Chancellor is required to review and evaluate each district funded project with reference to the elements of the capital construction program specified in Education Code section 81821; i.e., the plans of the district concerning its future academic and student services programs, enrollment projections, the current enrollment capacity, district supporting facility capacities, and an annual inventory of all facilities and land of the district. The Chancellor’s review shall be “directed particularly to ascertain whether the locally funded project is of appropriate size, is appropriately timed and is justified in terms of the elements of the capital construction plan and where applicable, the standards adopted by the Board of Governors.” (Cal. Code Regs., tit. 5, § 57156.)

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<sup>32</sup> All proposals to acquire a new college site, whether funded by the district or funded with the assistance from the state, are required to comply with Education Code sections 81836 & 81837.



The Chancellor is required to approve the district-funded plans when the analysis shows that approval of the plans for a proposed facility would not result in facilities that would be substantially at variance with space and utilization standards adopted by the Board of Governors. (Cal. Code Regs., tit. 5, § 57158(a).)

When the Chancellor's analysis shows that the approval of the plans would result in facilities that would be substantially at variance with space and utilization standards adopted by the Board of Governors, the Chancellor is required to either impose conditions for the approval of the plans or find that despite the variance, the plans are acceptable and respond to the district with cautions and/or appraisal of the potential consequences of the variance. (Cal. Code Regs., tit. 5, § 57158(b).)

The claimant requests reimbursement for the required activities when proposing a district-funded project.

As indicated in the analysis above, the requirement in Education Code section 81836 to pay the fees charged by the Board of Governors for the review and approval of new sites proposed to be acquired by a community college district and to review the plans and specifications for proposed projects has existed since at least 1974 and, thus, does not mandate a new program or higher level of service. (Former Ed. Code, § 20080.1 (Stats. 1974, ch. 30).)

The Commission further finds that while the activity to submit an application, including the plans and specifications, to the Chancellor's Office for approval of a district-funded project is mandated in certain situations, the requirement does not impose a new program or higher level of service.

Community college districts are required by Education Code section 81601 to repair school property. Thus, any capital construction contract that exceeds \$150,000 and is proposed for the purpose of repairing school property is required to be approved by the Board of Governors. Under these circumstances, the Commission finds that community college districts are mandated by the state to submit an application for approval of the plans to the Chancellor. The application shall be accompanied by the plans and full, complete and accurate take-off of assignable and gross square feet of space, which shall comply with any and all requirements prescribed by the Chancellor. (Cal. Code Regs., tit. 5, § 57154.)

Other than repairing school buildings, state law does not require community college districts to engage in capital outlay projects. Rather, community college districts can decide when and if to propose capital outlay projects for new construction, alteration, or extension and betterment of existing structures that are not in need of repair, and have the general discretionary authority to manage and control property.<sup>33</sup> Under these circumstances, the requirement to submit an application for approval of the plans to the Chancellor in accordance with section 57154 is not mandated by the state.<sup>34</sup> Nor has claimant shown any practical compulsion to perform capital

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<sup>33</sup> Education Code sections 70902 (b)(5)(6)(13), 81600, 81606.

<sup>34</sup> *Kern High School Dist.*, *supra*, 30 Cal.4th 727, 743; *San Diego Unified School Dist.*, *supra*, 33 Cal.4th 859, 880.

outlay projects, as the record does not indicate any certain and severe penalties “such as double taxation or other draconian consequences”<sup>35</sup> for failure to do so.

The Commission finds, however, that the requirement in section 57154 of the regulations to submit an application for approval of the plans for capital outlay projects that exceed \$150,000 and proposed for the purpose of repairing school property to the Board of Governors does not constitute a new program or higher level of service. In 1979, the Attorney General of California opined that facility plans financed entirely by local funds are subject to review and approval by the Chancellor in accordance with the standards established in Education Code section 81836. (62 Ops.Cal.Atty.Gen. 568, 577 (1979).)

As indicated above, the requirement in section 81837 to submit the plans and specifications of a project costing more than \$150,000 to the Board of Governors for review and approval has been the law since at least 1974. Former Education Code section 20080.2 (Stats. 1974, ch. 30) required districts that let contracts over \$10,000 to “submit plans therefor to the chancellor’s office ... and obtain the written approval of the plans by the office.” Former section 20080.2 was renumbered to section 81837 by Statutes 1976, chapter 1010, and repealed and reenacted by Statutes 1980, chapter 910. In 1981, it was amended to increase the threshold amount to \$150,000.

Thus, before the test claim regulation (§ 57154) was adopted in 1991, districts with locally-funded projects were required to submit their plans that conformed to established standards to the Chancellor for review and approval. This is the same requirement as in current law. Although the regulation requires that the plans be accompanied by “full, complete and accurate take-off of assignable and gross square feet of space” This requirement is not new. These calculations of square footage were necessary under the capacity and utilization standards required by section 81836(c) of the Education Code, and listed in sections 57020-57026 of the title 5 regulations, which predate 1975.<sup>36</sup>

Thus, the Commission finds that section 57154<sup>37</sup> of the title 5 regulations is not a state-mandated new program or higher level of service.

#### **D. Energy Efficient Facilities (§ 81663, Cal. Code Regs, tit. 5, §§ 57050-57063)**

Education Code section 81660 provides that a community college district “may enter into an energy management agreement for energy management systems with any person, firm, corporation, or public agency . . . .” “Energy management systems” is defined as “solar, energy, or solar and energy management systems.”

Education Code section 81663 and section 57061 of the title 5 regulations authorize community college districts to borrow funds from “federal or state regulated financial institutions” to retrofit buildings for greater energy efficiency, but provides that the “amount borrowed shall not exceed

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<sup>35</sup> *Department of Finance v. Commission on State Mandates* (2009) 170 Cal.App.4th 1355, 1366; *Kern High School Dist., supra*, 30 Cal.4th 727, 731.

<sup>36</sup> Register 74, No. 26 (June 29, 1975) page 673.

<sup>37</sup> Register 80, No. 44 (Nov. 1, 1980) page 676.5; Register 91, No. 23 (June 7, 1991) page 377; Register 95, No. 23 (June 9, 1995) page 378.

the amount that can be repaid from energy cost avoidance savings accumulated from the improvement of facilities.” (§ 81663, Stats. 1991, ch. 1038, Cal. Code Regs, tit. 5, § 57061.)

The “Energy and Resources Conservation” regulations (Cal. Code Regs, tit. 5, §§ 57050-57063) require, for districts requesting a state-supported energy conservation project, “a summary of the district’s Energy Conservation program as part of its five-year construction plan.” (Cal. Code Regs, tit. 5, § 57052(a).) A district submitting an energy conservation project for state aid is to indicate the need for assistance in the annual district five-year construction plan. (Cal. Code Regs, tit. 5, § 57052(b).) When the need for an energy conservation project<sup>38</sup> has been adequately established, it must be submitted “as a project planning guide in accordance with established format to the Chancellor’s Office.” (Cal. Code Regs, tit. 5, § 57053.) Energy conservation projects are ranked on the basis of criteria developed by the Chancellor’s Office (Cal. Code Regs, tit. 5, § 57055). The criteria include level of energy use, pay-back period, and “the extent to which the district has implemented an energy conservation program which meets the objectives specified in Board of Governor’s Policy Statement on Energy and Resource Conservation.” (Cal. Code Regs, tit. 5, § 57054.) Districts are required to contract with “qualified businesses capable of retrofitting school buildings.” (Cal. Code Regs, tit. 5, § 57063.)

Claimant pled the following activities based on these regulations:

- To include a summary of the local district energy conservation program and indicate its need for such assistance in its annual five-year construction plan when requesting a state supported energy conservation project (Cal. Code Regs., tit. 5, § 57052, subds.(a) & (b)).
- When the need for state financial assistance has been adequately established, the energy conservation project must be submitted as a project planning guide in accordance with the Chancellor’s office’s established format including evidence of an approved Energy Audit on file with the California Energy Commission (Cal. Code Regs., tit. 5, § 57053).
- To include in its preliminary plans for energy related projects: (1) the results of a technical audit performed by an authorized Technical Auditor which describes in detail the energy conservation measures the project is to institute; (2) the status of the project as related to the various federal and state aided programs for energy conservation; and (3) an architectural or engineering analysis setting forth the detailed costs of the various elements of the project (Cal. Code Regs., tit. 5, § 57055(b)).
- To arrange, to the extent that services are available, for the pre-audit and post-audit of buildings by investor-owned or municipal utility companies or by independent energy audit companies or organizations which are recognized by federal or state regulated financial institutions (Cal. Code Regs., tit. 5, § 57062). The pre-audit must identify the type and amount of work necessary to retrofit the buildings and shall include an estimate of projected energy savings, while the post-audit must be conducted upon completion of

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<sup>38</sup> "Energy Conservation Project" means: the acquisition, development, or modification of facilities and equipment which result in the conservation of energy; energy audits; energy conservation and operating procedures; energy conservation measures; water conservation measures; and redraft consisting of modifications made to existing equipment or structures. (Cal. Code Regs, tit. 5, § 57051(a).)

the retrofitting of the buildings to insure that the project satisfies the recommendations of the pre-audit (Cal.Code Regs., tit. 5, § 57062).

- To contract only with qualified business capable of retrofitting school buildings (Cal.Code Regs., tit. 5, § 57063).

The Department of Finance comments that all regulations pertaining to energy conservation projects are not reimbursable because they are contingent on electing to pursue funding for an energy conservation project. Finance also cites offsetting savings resulting from energy conservation. The Chancellor's Office also states that sections 57052, 57053, 57055, 57062, and 57063 "concern voluntary applications for state funding for energy conservation projects."

Claimant cites the legislative finding in section 57060 of the title 5 regulations that it is in the interest of the state and the people for the state to aid community college districts in conserving energy.

The Commission finds that neither section 81663 of the Education Code (Stats. 1991, ch. 1038), nor the "Energy and Resources Conservation" regulations (Cal. Code Regs, tit. 5, §§ 57050-57063) pled by the claimant impose a state-mandated program subject to article XIII B, section 6 of the California Constitution.

Section 81660 is the first code section in Article 3.5 of the Education Code governing energy management systems and clearly states that community college districts "may" enter into energy management agreements. Furthermore, the test claim statute and regulation (section 81663 and section 57061 of the title 5 regulations) authorize but do not require community college districts to enter into energy management agreements and borrow funds for "retrofitting buildings to become more energy efficient."

Sections 81663 and 57061 state that the community college district "*may* borrow funds ..." [Emphasis added.] Using the word "may" makes the activity discretionary (Ed. Code, § 75). There is no legal compulsion on the face of sections 81663 or 57061 to borrow funds. And, the statute, regulations, and record are silent as to any practical compulsion to enter into energy management agreements and borrow funds for energy management systems. Therefore, the Commission finds that section 81663 of the Education Code (Stats. 1991, ch. 1038) and section 57061 of the title 5 regulations<sup>39</sup> are not state mandates, and not subject to article XIII B, section 6.

As to the remaining energy efficiency regulations (Cal. Code Regs, tit. 5, §§ 57050-57063), the legislative intent is expressly to "*encourage* community college districts to retrofit buildings so as to conserve energy and reduce the cost of supplying energy." (Emphasis added.) (Cal. Code Regs., tit. 5, § 57060.) The plain language to "encourage" an energy retrofit should not be interpreted as "requiring" or "mandating" one.

Moreover, the event triggering all the district requirements is the district "requesting a state supported energy conservation project..." (Ed. Code, § 81660; Cal. Code Regs., tit. 5, § 57052(a).) There is no legal requirement on the face of the regulations to request a state-supported energy conservation project. And neither the regulations nor the record indicates any practical compulsion to request a state-supported energy conservation project.

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<sup>39</sup> Register 91, No. 23 (June 7, 1991) page 376; Register 95, No. 23 (June 9, 1995) page 377.

If a district does request a state-supported energy conservation project, it must comply with the requirements in the regulations, such as including a summary of the local district energy conservation program in its annual five-year plan (Cal. Code Regs., tit. 5, § 57052(a)) and indicating the need for assistance in the five-year plan (Cal. Code Regs., tit. 5, § 57052(b)). The district must also submit the energy conservation project as a project planning guide with evidence of an approved energy audit on file with the California Energy Commission (Cal. Code Regs., tit. 5, § 57053(a) & (b).) Districts also arrange for pre- and post-audits of buildings (Cal. Code Regs., tit. 5, § 57062) and contract with qualified businesses capable of retrofitting school buildings (Cal. Code Regs., tit. 5, § 57063).

All of these requirements, however, are downstream of the district's discretionary decision to enter into energy systems management agreements and seek funding for an energy conservation project. Based on the reasoning in the *Kern School Dist.* case,<sup>40</sup> the Commission finds that Education Code section 81663 all of the regulations in subchapter 1.5 (Cal. Code Regs., tit. 5 §§ 57050 et seq.) are not mandated by the state under article XIII B, section 6.

**Issue 2: Do sections 81820 and 81821(a), (b), (e), and (f), impose costs mandated by the state within the meaning of Government Code sections 17514 and 17556?**

The final issue is whether sections 81820 and 81821(a), (b), (e), and (f), which require community college districts to include, review and report new information in the five year capital construction plan, impose costs mandated by the state,<sup>41</sup> and whether any statutory exceptions listed in Government Code section 17556 apply to these provisions. Government Code section 17514 defines “cost mandated by the state” as follows:

[A]ny increased costs which a local agency or school district is required to incur after July 1, 1980, as a result of any statute enacted on or after January 1, 1975, or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program within the meaning of Section 6 of Article XIII B of the California Constitution.

Government Code section 17564 requires reimbursement claims to exceed \$1,000 to be eligible for reimbursement.

In Exhibit 1 of the test claim, claimant submitted an estimate under penalty of perjury that it would incur more than \$1,000 in costs “in excess of the funding provided the district by the state to implement these new duties mandated by the state for which the community college district will not be reimbursed by any federal, state, or local government agency, and for which it cannot otherwise obtain reimbursement.”

The Commission also finds that no exceptions to reimbursement in Government Code section 17556 apply to this test claim. There is no evidence in the record that funds have been appropriated by the Legislature for these activities.

Accordingly, the Commission finds that sections 81820 and 81821(a), (b), (e), and (f), as specified above under Issue II of this analysis, impose increased costs mandated by the state within the meaning of Government Code section 17514.

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<sup>40</sup> *Kern High School Dist.*, *supra*, 30 Cal.4th 727, 743.

<sup>41</sup> *Lucia Mar*, *supra*, 44 Cal.3d 830, 835; Government Code section 17514.

#### **IV. Conclusion**

For the reasons discussed above, the Commission finds that Education Code sections 81820 and 81821(a), (b), (e), and (f) (Stats. 1980, ch. 910, Stats. 1981, ch. 470, Stats. 1981, ch. 891, Stats. 1995, ch. 758) constitute a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution to include the following information in the five-year plan for capital construction:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)

Community college districts are also eligible for reimbursement to continually review the information bulleted above and to report by February 1 of each year any required modifications or changes with respect to the information to the Board of Governors.

The Commission also finds that all other statutes and regulations in the test claim do not impose a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution.

BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

**Exhibit C**

IN RE TEST CLAIM ON:

Education Code Sections 81820, 81821(a), (b), (e),  
and (f)

Statutes 1980, Chapter 910, Statutes 1981,  
Chapter 470, Statutes 1981, Chapter 891, Statutes  
1995, Chapter 758

Filed on January 27, 2003, by

Santa Monica Community College District,  
Claimant.

No. 02-TC-47

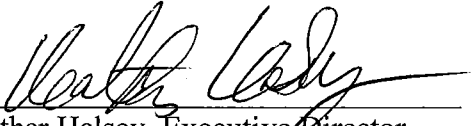
*Community College Construction*

ADOPTION OF PARAMETERS AND  
GUIDELINES PURSUANT TO GOVERNMENT  
CODE SECTION 17557 AND TITLE 2,  
CALIFORNIA CODE OF REGULATIONS,  
SECTION 1183.12

(Adopted on March 23, 2012)

**PARAMETERS AND GUIDELINES**

On March 23, 2012, the Commission on State Mandates adopted the attached parameters and guidelines.

  
Heather Halsey, Executive Director

Dated: March 27, 2012

## **Parameters and Guidelines**

Education Code Sections 81820, 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910, Statutes 1981, Chapter 470, Statutes 1981, Chapter 891,  
Statutes 1995, Chapter 758;

### *Community College Construction* 02-TC-47

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#### **I. SUMMARY OF THE MANDATE**

On October 27, 2011, the Commission on State Mandates (Commission) adopted a statement of decision finding that the test claim statutes impose a partially reimbursable state-mandated program upon community college districts within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. The Commission approved this test claim for the following reimbursable activities:

For community college districts to include in their five-year capital construction plans:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)<sup>1</sup>
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)

Community college districts are also eligible for reimbursement to continually review the information bulleted above and to report by February 1 of each year any required modifications or changes with respect to the information to the Board of Governors.

The Commission found that all other statutes and regulations in the test claim did not impose a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution.

#### **II. ELIGIBLE CLAIMANTS**

Any community college district as defined in Government Code section 17519, which incurs increased costs as a result of this mandate, is eligible to claim reimbursement.

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<sup>1</sup> All references are to the Education Code unless otherwise indicated.



### **III. PERIOD OF REIMBURSEMENT**

Government Code section 17557(e) states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The Santa Monica Community College District filed the test claim on June 27, 2003, establishing eligibility for reimbursement on or after July 1, 2001. Therefore, costs incurred for the activities in these parameters and guidelines are reimbursable on or after July 1, 2001.

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

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

### **IV. REIMBURSABLE ACTIVITIES**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

For each eligible claimant, the following activities are reimbursable:

Include the following information in the initial five-year plan for capital construction (for community college districts established on or after July 1, 2001), and continually review and report any required modifications or changes with respect to the following information in the subsequent annual update submitted to the Board of Governors by February 1 of each succeeding year:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)

## **V. CLAIM PREPARATION AND SUBMISSION**

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

### **A. Direct Cost Reporting**

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

#### **1. Salaries and Benefits**

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

#### **2. Materials and Supplies**

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

### 3. Contracted Services

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

### 4. Fixed Assets

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

### 5. Travel

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

## B. Indirect Cost Rate

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

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

Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, "Cost Principles of Educational Institutions"; (2) the rate calculated on State Controller's Form FAM-29C; or (3) a 7% indirect cost rate.

## VI. **RECORD RETENTION**

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter<sup>2</sup> is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is

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<sup>2</sup> This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

## **VII. OFFSETTING REVENUES AND REIMBURSEMENTS**

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

## **VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS**

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than ~~60~~ 90 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

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

## **IX. REMEDIES BEFORE THE COMMISSION**

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

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

## **X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES**

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



**RECEIVED**  
July 31, 2015  
**Commission on  
State Mandates**

**BETTY T. YEE**  
**California State Controller**  
Division of Accounting and Reporting

**Exhibit D**

July 31, 2015

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

Re: Notice of Complete Filing and Schedule for Comments  
Mandate Redetermination Request, 14-MR-03  
Community College Construction (02-TC-47)  
Education Code Sections 81820, 81821(a), (b), (e), and (f)  
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
and Statutes 1995, Chapter 758  
As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)  
California Department of Finance, Requester

Dear Ms. Halsey:

The State Controller's Office concurs with the Department of Finance's request to adopt a new test claim decision and to amend the parameters and guidelines for the Community College Construction program.

Should you have any questions regarding the above, please contact Tam Nguyen at (916) 324-2341 or email [CNNguyen@sco.ca.gov](mailto:CNNguyen@sco.ca.gov).

Sincerely,

JAY LAL, Manager  
Local Reimbursements Section

**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 July 31, 2015, I served the:

**SCO Comments**

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

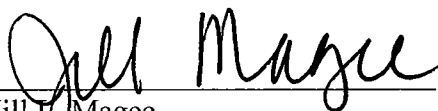
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891; and Statutes 1995, Chapter 758

As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

California Department of Finance, Requester

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 July 31, 2015 at Sacramento, California.



Jill L. Magee

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 7/8/15

**Claim Number:** 14-MR-03

**Matter:** Community College Construction (02-TC-47)

**Requester:** Department of Finance

### 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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## COMMISSION ON STATE MANDATES

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## Exhibit E

September 24, 2015

Chris Ferguson  
Department of Finance  
915 L Street  
Sacramento, CA 95814

*And Parties, Interested Parties, and Interested Persons (See Mailing List)*

Re: **Draft Proposed Decision, Schedule for Comments, and Notice of Hearing**  
Mandate Redetermination Request, 14-MR-03  
*Community College Construction (02-TC-47)*  
Education Code Sections 81820, 81821(a), (b), (e), and (f)  
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
Statutes 1995, Chapter 758  
As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)  
Department of Finance, Requester

Dear Mr. Ferguson:

The draft proposed decision for the above-named matter is enclosed for your review and comment.

**Written Comments**

Written comments may be filed on the draft proposed decision by **October 15, 2015**. You are advised that comments filed with the Commission on State Mandates (Commission) are required to be simultaneously served on the other interested parties on the mailing list, and to be accompanied by a proof of service. However, this requirement may also be satisfied by electronically filing your documents. Please see <http://www.csm.ca.gov/dropbox.shtml> on the Commission's website for instructions on electronic filing. (Cal. Code Regs., tit. 2, § 1181.3.)

If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

**Hearing**

This matter is set for hearing on **Thursday, December 3, 2015**, at 10:00 a.m., State Capitol, Room 447, Sacramento, California. The proposed decision will be issued on or about November 19, 2015. Please let us know in advance if you or a representative of your agency will testify at the hearing, and if other witnesses will appear. If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the Commission's regulations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Heather Halsey'.

Heather Halsey  
Executive Director

J:\MANDATES\2002\tc\02-tc-47 (CCD Construct)\14-MR-03\Correspondence\Draft PD Transmittal.doc

**ITEM \_\_\_\_**  
**MANDATE REDETERMINATION**  
**FIRST HEARING: ADEQUATE SHOWING**  
**DRAFT PROPOSED DECISION**

Education Code Sections 81820 and 81821(a), (b), (e), and (f);  
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981,  
Chapter 891; Statutes 1995, Chapter 758;

As Alleged to be Modified by:

Statutes 2014, Chapter 34 (SB 860)

*Community College Construction (02-TC-47)*

14-MR-03

Department of Finance, Requester

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**EXECUTIVE SUMMARY**

**Overview**

On October 27, 2011, the Commission on State Mandates (Commission) adopted the *Community College Construction*, 02-TC-47, test claim statement of decision, approving reimbursement for community colleges to include the following new information in their districts' five-year plan for capital construction that must be submitted to the Board of Governors, a state agency:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (Former Ed. Code, § 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (Former Ed. Code, § 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (Former Ed. Code, § 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (Former Ed. Code, § 81821(f).)

The Commission also approved the review of the plan as required by 81820, but only as to this newly required content since the requirement to review the plan generally was not new.

This mandate redetermination request is based on the change in law made by Statutes 2014, chapter 34 (SB 860, eff. June 20, 2014), which amended Education Code section 81821 to

provide that the new information described above “may also” rather than “shall” be included in the plan, which the Department of Finance (Finance) argues makes it discretionary.

### **Procedural History**

On June 19, 2015, Finance filed a request for redetermination of the *Community College Construction*, 02-TC-47 decision, arguing that Senate Bill 860 (Stats. 2014, ch. 34) renders the mandate permissive and no longer reimbursable.<sup>1</sup> On July 31, 2015, the State Controller’s Office (Controller) concurred with Finance’s request to adopt a new test claim decision.<sup>2</sup>

### **Commission Responsibilities**

Government Code section 17570 provides a process whereby a previously determined mandate finding can be redetermined by the Commission, based on a subsequent change in law. The redetermination process provides for a two hearing process. The Commission’s regulations state:

The first hearing shall be limited to the issue of whether the requester has made an adequate showing which identifies a subsequent change in law as defined by Government Code section 17570, material to the prior test claim decision, that may modify the state’s liability pursuant to article XIII B, section 6(a) of the California Constitution. The Commission shall find that the requester has made an adequate showing if it finds that the request, when considered in light of all of the written comments and supporting documentation in the record of this request, has a substantial possibility of prevailing at the second hearing.<sup>3</sup>

A subsequent change in law is defined in section 17570 as follows:

[A] change in law that requires a finding that an incurred cost is a cost mandated by the state, as defined by Section 17514, or is not a cost mandated by the state pursuant to Section 17556, or a change in mandates law, except that a “subsequent change in law” does not include the amendments to Section 6 of Article XIII B of the California Constitution that were approved by the voters on November 2, 2004. A “subsequent change in law” also does not include a change in the statutes or executive orders that impose new state-mandated activities and require a finding pursuant to subdivision (a) of Section 17551.<sup>4</sup>

An “adequate showing” is determined in the Commission’s regulations as follows:

The Commission shall find that the requester has made an adequate showing if it finds that the request, when considered in light of all of the written comments and supporting

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<sup>1</sup> Exhibit A, Request for Mandate Redetermination, page 1. Based on the June 19, 2015 filing date, the potential period of reimbursement for this redetermination would begin June 20, 2014, the effective date of SB 860, the statute that is alleged to constitute the subsequent change in law.

<sup>2</sup> Exhibit D, Controller’s Comments on the Request for Mandate Redetermination.

<sup>3</sup> California Code of Regulations, title 2, section 1190.5(a)(1) (Register 2014, No. 21).

<sup>4</sup> Government Code section 17570, as added by Statutes 2010, chapter 719.

documentation in the record of this request, has a substantial possibility of prevailing at the second hearing.<sup>5</sup>

If the Commission finds, at the first hearing, that:

The requester has made an adequate showing, when considered in light of all of the written comments, rebuttals and supporting documentation in the record and testimony at the hearing, the Commission shall publish a decision finding that an adequate showing has been made and setting the second hearing on whether the Commission shall adopt a new test claim decision to supersede the previously adopted test claim decision.<sup>6</sup>

Thus, the first hearing in the mandate redetermination process is to determine, pursuant to the Government Code and the Commission's regulations, only whether the requester has made an adequate showing that the state's liability may be modified based on a subsequent change in law, as defined. Therefore, this analysis will be limited to whether "the request, when considered in light of all of the written comments and supporting documentation in the record of this request, has a substantial possibility of prevailing at the second hearing."<sup>7</sup> If the Commission finds that there has been an adequate showing, a thorough mandates analysis to determine whether and to what extent the state's liability has been modified, considering the applicable law, the arguments put forth by the parties and interested parties, and the facts in the record, will be prepared for the second hearing on this matter.

### **Staff Analysis**

#### **A. Statutes 2014, Chapter 34 Constitutes a Subsequent Change in Law, as Defined.**

Statutes 2014, chapter 34 (SB 860, eff. June 20, 2014) amended Education Code section 81821 as follows in underline and strikeout:

- (a) The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to ~~elements including~~ at least ~~all~~ both of the following elements:
  - (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors.
  - (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.
- (b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but

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<sup>5</sup> California Code of Regulations, title 2, section 1190.5(a)(1) (Register 2014, No. 21).

<sup>6</sup> California Code of Regulations, title 2, section 1190.5(a)(5)(B) (Register 2014, No. 21).

<sup>7</sup> California Code of Regulations, title 2, section 1190.5(a)(1) (Register 2014, No. 21).

not limited to:

- ~~(a)~~ (1) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.
- ~~(b)~~ (2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the ~~community college district~~ Chancellor of the California Community Colleges.
- ~~(c)~~ ~~The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~
- ~~(d)~~ ~~District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~
- ~~(e)~~ (3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- ~~(f)~~ (4) An estimate of district funds ~~which~~ that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

This is a subsequent change in law that may modify the requirements that were approved in the prior test claim decision and thus the state's liability.

**B. The Requester Has Made an Adequate Showing that the State's Liability May Be Modified Based on a Subsequent Change in Law, Such that Finance Has a Substantial Probability of Prevailing at the Second Hearing.**

Education Code section 81821(b) now states that community colleges now "may" rather than "shall" include in their five-year plan for capital construction, the following information that is currently listed in the parameters and guidelines as eligible for reimbursement: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.<sup>8</sup> The legislative history of this amendment indicates that it: "Makes permissive a requirement that community colleges submit specified facilities information to the

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<sup>8</sup> Former Education Code 81821(a), (b), (e), and (f).

CCC Chancellor's office, thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).”<sup>9</sup>

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. The requirements to include the following in the plan were not approved in the test claim decision because those requirements, and the general the requirement to have the plan, were not new:

- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors, and
- (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

In addition, the requirement to review under Education Code section 81820 was approved only as to the newly required content in the prior test claim decision, because the requirement to continually review was not new. Therefore, since the content information in former Education Code section 81821, which the Commission found to impose a mandated new program or higher level of service in *Community College Construction*, 02-TC-47 appears to now be permissive, so too would be the requirement to review as to that content.

Staff finds that Finance has made an adequate showing that the state’s liability may be modified pursuant to article XIII B, section 6(a) of the California Constitution for the *Community College Construction* mandate based on a subsequent change in law, such that Finance has a substantial probability of prevailing at the second hearing on the request.

### **Staff Recommendation**

Staff recommends that the Commission adopt the proposed decision and, pursuant to Government Code section 17570(b)(d)(4), direct staff to notice the second hearing to determine whether a new test claim decision shall be adopted to supersede the previously adopted test claim decision. If the Commission adopts the attached proposed decision, the second hearing for this matter will be set for January 22, 2016.

Staff also recommends that the Commission authorize staff to make any non-substantive, technical changes to the proposed statement of decision following the hearing.

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<sup>9</sup> Exhibit X, Assembly Floor, Analysis of Senate Bill No. 860 (2013-2014 Reg. Sess.) as amended June 12, 2014, page 3.



BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

IN RE MANDATE REDETERMINATION:  
FIRST HEARING: ADEQUATE SHOWING  
ON:

Education Code Sections 81820 and  
81821(a), (b), (e), and (f);

Statutes 1980, Chapter 910;  
Statutes 1981, Chapter 470;  
Statutes 1981, Chapter 891;  
Statutes 1995, Chapter 758;

As Alleged to be Modified by:

Statutes 2014, Chapter 34 (SB 860)

Filed on June 19, 2015

By the Department of Finance, Requester

Case No.: 14-MR-03

*Community College Construction*  
(02-TC-47)

DECISION PURSUANT TO  
GOVERNMENT CODE SECTION  
17500, ET SEQ.; CALIFORNIA CODE  
OF REGULATIONS, TITLE 2,  
DIVISION 2, CHAPTER 2.5,  
ARTICLE 7.

(Adopted December 3, 2015)

**DECISION**

The Commission on State Mandates (Commission) heard and decided this mandate redetermination during a regularly scheduled hearing on December 3, 2015. [Witness list will be included in the adopted decision.]

Government Code section 17570 and section 1190 et seq. of the Commission's regulations establish the mandate redetermination process. In addition, the law applicable to the Commission's determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code section 17500 et seq., title 2, California Code of Regulations 1181 et seq., and related case law.

The Commission [adopted/modified] the proposed decision at the hearing by a vote of [vote count will be included in the adopted decision], and [directed/did not direct] staff to notice a second hearing to determine whether to adopt a new test claim decision to supersede the previously adopted test claim decision.

**Summary of Findings**

The Commission finds that the Department of Finance (Finance) has made an adequate showing that pursuant to article XIII B, section 6(a) of the California Constitution, the state's liability for the *Community College Construction*, 02-TC-47 mandate may be modified based on a subsequent change in law, such that Finance has a substantial probability of prevailing at the second hearing on the request. This is because Statutes 2014, chapter 34 (SB 860, eff. June 20, 2014) amended the requirements in Education Code section 81821 to provide that the content

requirement that was approved in the prior test claim decision “may also” rather than “shall” be included by community colleges in their five-year plans for capital construction. The content approved in the parameters and guidelines as eligible for reimbursement includes: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.<sup>10</sup>

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. The requirements to include the following in the plan were not approved in the test claim decision because those requirements, and the general the requirement to have the plan, were not new:

- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors, and
- (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

In addition, the requirement to review under Education Code section 81820 was approved only as to the newly required content in the prior test claim decision, because the requirement to continually review was not new. Therefore, since the content information in former Education Code section 81821, which the Commission found to impose a mandated new program or higher level of service in *Community College Construction*, 02-TC-47, appears to now be permissive, so too would be the requirement to review as to that content.

Pursuant to Government Code section 17570(b)(d)(4), the Commission will hold a second hearing to determine if a new test claim decision shall be adopted to supersede the previously adopted test claim decision.

## COMMISSION FINDINGS

### I. Chronology

- |            |  |
|------------|--|
| 10/27/2011 | The Commission adopted the test claim statement of decision. <sup>11</sup>   |
| 03/23/2012 | The Commission adopted the parameters and guidelines. <sup>12</sup>  |
| 06/20/2014 | Statutes 2014, chapter 34 (SB 860) was filed by the Secretary of State and became effective immediately. <sup>13</sup> |

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<sup>10</sup> Former Education Code 81821(a), (b), (e), and (f).

<sup>11</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47.

<sup>12</sup> Exhibit C, Parameters and Guidelines, *Community College Construction*, 02-TC-47.

<sup>13</sup> Exhibit X, Statutes 2014, chapter 34 (selected pages). Urgency statutes become effective immediately upon enactment (Cal. Const., art. IV, section 8(c)(3)).

06/19/2015	Finance filed the request for redetermination. <sup>14</sup>
07/31/2015	The State Controller's Office (Controller) submitted comments. <sup>15</sup>
09/24/2015	Commission staff issued the draft proposed decision for the first hearing.

## II. Background

The Community College Construction Act of 1980 requires the governing boards of community college districts to prepare and submit to the Board of Governors (a state agency), "a plan for capital construction for community college purposes of the district." As amended in 1990, Education Code section 81820 provided that the plan shall reflect capital construction for community college purposes for the five-year period commencing with the next proposed year of funding, and that the plan is subject to the continuing review by the district's governing board.<sup>16</sup>

Education Code section 81821, as amended in 1995, identified the information required to be included in the five-year plan for capital construction as follows:

The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to elements including at least all of the following:

- (a) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.
- (b) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the community college district.
- (c) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (d) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (e) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.

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<sup>14</sup> Exhibit A, Request for Mandate Redetermination.

<sup>15</sup> Exhibit D, Controller's Comments on the Request for Mandate Redetermination.

<sup>16</sup> Education Code section 81820 (Stats. 1990, ch. 1372).

- (f) An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

On October 27, 2011, the Commission adopted the *Community College Construction*, 02-TC-47 test claim decision based on Education Code section 81800 et seq., as added and amended by statutes enacted from 1980 through 1995. The Commission found that Education Code section 81820 did not impose a new program or higher level of service to the extent that it required community college districts to prepare and submit a five-year capital construction plan. The Commission determined that this activity was required under prior law enacted in 1967, by former Education Code section 20065.<sup>17</sup> However, some of the information included in the plan, identified in Education Code section 81821(a), (b), (e), and (f), were newly required by the test claim statutes. The Commission approved the test claim, finding that reimbursement was required for including the new information in a community college district's five-year plan for capital construction that is submitted to the Board of Governors. The Commission also approved the continual review of this newly required information only pursuant to Education Code section 81820, since the requirement to continually review was not new except as to the newly required content. The parameters and guidelines, adopted March 23, 2012, require reimbursement for the following activities beginning July 1, 2001:

Include the following information in the initial five-year plan for capital construction (for community college districts established on or after July 1, 2001), and continually review and report any required modifications or changes with respect to the following information in the subsequent annual update submitted to the Board of Governors by February 1 of each succeeding year:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)<sup>18</sup>

#### The Alleged Subsequent Change in Law

Finance alleges that Statutes 2014, chapter 34, constitutes a subsequent change in law that modifies the state's liability for this program. The 2014 statute amended Education Code section 81821 by providing that enrollment and facility capacity information, formerly required under

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<sup>17</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47, page 18.

<sup>18</sup> Exhibit C, Parameters and Guidelines, *Community College Construction*, 02-TC-47, page 3.

subdivisions (c) and (d), “shall” be included in the content of the five-year plan in subdivision (a). As determined by the Commission in the *Community College Construction*, 02-TC-47 test claim decision, the enrollment and facility capacity information was required under prior law and did not constitute a new program or higher level of service. Thus, reimbursement was denied for preparing and submitting that information.<sup>19</sup>

The 2014 statute then adds subdivision (b) to provide that the new information previously approved by the Commission for reimbursement in the *Community College Construction* test claim decision (in former Ed. Code, § 81821(a), (b), (e), and (f)) now “may also” (rather than “shall”) be included in the plan as estimated capital construction needs of the district. Statutes 2014, chapter 34, section 15 amends section 81821 as follows (with amendments noted in ~~strikeout~~ and underline):

- (a) The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to ~~elements including~~ at least all both of the following elements:
  - (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors.
  - (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.
- (b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but not limited to:
  - ~~(a)~~ (1) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.
  - ~~(b)~~ (2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the ~~community college district~~ Chancellor of the California Community Colleges.
  - ~~(c)~~ The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- ~~(d) District office, library, and supporting facility capacities as derived from the~~

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<sup>19</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47, pages 18-21.

~~physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~

- ~~(e)~~ (3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- ~~(f)~~ (4) An estimate of district funds ~~which~~ that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

The legislative history of this 2014 amendment states that it: “Makes permissive a requirement that community colleges submit specified facilities information to the CCC Chancellor's office, thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).”<sup>20</sup>

#### Mandate Redetermination Process under Section 17570

Government Code section 17570 provides a process for a test claim decision to be redetermined and superseded by a new test claim decision if a subsequent change in law, as defined, has modified the state’s liability for reimbursement. The redetermination process calls for a two-step hearing process. At the first hearing, the requester must make “an adequate showing which identifies a subsequent change in law as defined by Government Code section 17570, material to the prior test claim decision, that may modify the state’s liability pursuant to Article XIII B, section 6(a) of the California Constitution.”<sup>21</sup> A subsequent change in law is defined in section 17570 as follows:

[A] change in law that requires a finding that an incurred cost is a cost mandated by the state, as defined by Section 17514, or is not a cost mandated by the state pursuant to Section 17556, or a change in mandates law, except that a “subsequent change in law” does not include the amendments to Section 6 of Article XIII B of the California Constitution that were approved by the voters on November 2, 2004. A “subsequent change in law” also does not include a change in the statutes or executive orders that impose new state-mandated activities and require a finding pursuant to subdivision (a) of Section 17551.<sup>22</sup>

The Commission shall find that the requester has made an adequate showing if it “finds that the request, when considered in light of all of the written comments and supporting documentation in the record of this request, has a substantial possibility of prevailing at the second hearing.”<sup>23</sup> If the Commission finds at the first hearing, that the requester has made an adequate showing, it “shall publish a decision finding that an adequate showing has been made and setting the second

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<sup>20</sup> Assembly Floor, Analysis of Senate Bill No. 860 (2013-2014 Reg. Sess.) as amended June 12, 2014, page 3.

<sup>21</sup> California Code of Regulations, title 2, section 1190.5(a)(1) (Register 2014, No. 21).

<sup>22</sup> Government Code section 17570, as added by Statutes 2010, chapter 719 (SB 856).

<sup>23</sup> California Code of Regulations, title 2, section 1190.5(a)(1) (Register 2014, No. 21).

hearing on whether the Commission shall adopt a new test claim decision to supersede the previously adopted test claim decision.”<sup>24</sup>

### **III. Positions of the Parties, Interested Parties, and Interested Persons**

#### **A. Department of Finance, Requester**

In its request for redetermination, Finance states:

Chapter 34, Statutes of 2014 (SB 860) made components of Education Code section 81821, that were determined to be reimbursable activities, permissive by moving those components into a subdivision that allows rather than requires specified estimates to be included in the district’s five-year capital construction plan.<sup>25</sup>

Finance maintains that because the activities determined to be reimbursable are now permissive, the state’s liability should be zero as of June 20, 2014, the effective date of Statutes 2014, chapter 34.

#### **B. State Controller**

The Controller states that it “concurs with the Department of Finance’s request to adopt a new test claim decision and to amend the parameters and guidelines for the Community College Construction Program.”<sup>26</sup>

### **IV. Discussion**

Under Government Code section 17570, upon request, the Commission may consider the adoption of a new test claim decision to supersede a prior test claim decision based on a subsequent change in law that modifies the states liability.

The first hearing in the mandate redetermination process is to determine, pursuant to the Government Code and the Commission’s regulations, only whether the requester has made an adequate showing that the state’s liability has been modified based on a subsequent change in law, as defined. Therefore, the analysis will be limited to whether the request, when considered in light of all of the written comments and supporting documentation in the record of this request, has a substantial possibility of prevailing at the second hearing.”<sup>27</sup> If the Commission

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<sup>24</sup> California Code of Regulations, title 2, section 1190.5(a)(5)(B) (Register 2014, No. 21).

<sup>25</sup> Exhibit A, Request for Mandate Redetermination, page 1.

<sup>26</sup> Exhibit D, Controller’s Comments on Request for Mandate Redetermination.

<sup>27</sup> California Code of Regulations, title 2, section 1190.5 (Register 2014, No. 21). This regulation describes the standard for the first hearing as follows:

The first hearing shall be limited to the issue of whether the requester has made an adequate showing which identifies a subsequent change in law as defined by Government Code section 17570, material to the prior test claim decision, that may modify the state’s liability pursuant to Article XIII B, section 6(a) of the California Constitution. The Commission shall find that the requester has made an adequate showing if it finds that the request, when considered in light of all of the written comments and supporting

determines that an adequate showing has been made, a thorough mandates analysis to determine whether and to what extent the state's liability has been modified, considering the applicable law, the arguments put forth by the parties and interested parties, and the facts in the record, will be prepared for the second hearing on this matter.

**A. Statutes 2014, Chapter 34 Constitutes a Subsequent Change in Law Within the Meaning of Government Code Section 17570.**

Government Code section 17570(b) states that the Commission may adopt a new test claim decision to supersede a previously adopted test claim decision only upon a showing that, pursuant to article XIII B section 6, the state's liability has been modified based on a subsequent change in law. A subsequent change in law is defined in Government Code section 17570(a)(2) as:

A change in law that requires a finding that an incurred cost is a cost mandated by the state, as defined by Section 17514, or is not a cost mandated by the state pursuant to Section 17556, or a change in mandates law, except that a "subsequent change in law" does not include the amendments to Section 6 of Article XIII B of the California Constitution that were approved by the voters on November 2, 2004. A "subsequent change in law" also does not include a change in the statutes or executive orders that impose new state-mandated activities and require a finding pursuant to subdivision (a) of Section 17551.<sup>28</sup>

Effective June 20, 2014,<sup>29</sup> Statutes 2014, chapter 34, amended Education Code section 81821 by adding subdivision (b) to provide that the new information approved by the Commission for reimbursement in the *Community College Construction* test claim decision (in former Ed. Code, § 81821(a), (b), (e), and (f)) "may also" (rather than "shall") be included in the five year plan for capital construction.

Finance asserts that the plain language of the section 81821(b), as amended, makes the requirements in the parameters and guidelines permissive by substituting the word "may" in place of the word "shall," resulting in no costs mandated by the state for this program.<sup>30</sup>

The Commission finds that Finance has made an adequate showing that Statutes 2014, chapter 34, as it amends Education Code section 81821, may require a finding that the state's liability for the *Community College Construction*, 02-TC-47 program has been modified. Courts generally interpret the word "may" as permissive and "shall" as mandatory.<sup>31</sup> Thus, as amended, Education Code section 81821 no longer contains the mandatory language requiring

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documentation in the record of this request, has a substantial possibility of prevailing at the second hearing.

<sup>28</sup> Government Code section 17570(a)(2).

<sup>29</sup> Urgency statutes become effective immediately upon enactment (Cal. Const., art. IV, section 8(c)(3)).

<sup>30</sup> Exhibit A, Request for Mandate Redetermination, page 1.

<sup>31</sup> Education Code section 75. *John Doe v. Albany Unified School District* (2010) 190 Cal.App.4th 668, 676 on statutory construction involving the terms "may" and "shall."



community college districts to include in their five-year plan for capital construction, the following information found by the Commission to impose a reimbursable state-mandated program: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. However, since the content information in former Education Code section 81821(a), (b), (e), and (f), which the Commission found to impose a mandated new program or higher level of service in *Community College Construction*, 02-TC-47, is no longer required to be included in the plan, any continual review of that information pursuant to Education Code section 81820 would be permissive.

Therefore, the Commission finds that Statutes 2014, chapter 34 establishes a subsequent change in law pursuant to Government Code section 17570(a)(2), that may require a finding that the state's liability has been modified.

**B. The Requester Has Made an Adequate Showing that the State's Liability May Be Modified Based on a Subsequent Change in Law.**

Education Code section 81821(b) now states that community colleges now “may” rather than “shall” include in their five-year plan for capital construction, the following information that is currently listed in the parameters and guidelines as eligible for reimbursement: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.<sup>32</sup> The legislative history of this amendment indicates that it: “Makes permissive a requirement that community colleges submit specified facilities information to the CCC Chancellor's office, thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).”<sup>33</sup>

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. The requirements to include the following in the plan were not approved in the test claim decision because those requirements, and the general the requirement to have the plan, were not new:

- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors, and
- (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

In addition, the requirement to review under Education Code section 81820 was approved only as to the newly required content in the prior test claim decision, because the requirement to

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<sup>32</sup> Former Education Code 81821(a), (b), (e), and (f).

<sup>33</sup> Exhibit X, Assembly Floor, Analysis of Senate Bill No. 860 (2013-2014 Reg. Sess.) as amended June 12, 2014, page 3.

continually review was not new. Therefore, since the content information in former Education Code section 81821, which the Commission found to impose a mandated new program or higher level of service in *Community College Construction*, 02-TC-47 appears to now be permissive, so too would be the requirement to review as to that content. As a result, it appears that this subsequent change in law may modify the state's liability for this program.

For the reasons discussed above, the Commission finds that Finance has made an adequate showing that the state's liability may be modified pursuant to Statutes 2014, chapter 34, a subsequent change in law, and Finance, therefore, has a substantial possibility of prevailing at the second hearing.

## **V. Conclusion**

Based on the foregoing, the Commission finds that the requester has made an adequate showing that the state's liability for the *Community College Construction*, 02-TC-47 mandate may be modified based on a subsequent change in law and that Finance has a substantial probability of prevailing at the second hearing. The Commission hereby directs Commission staff to notice the second hearing to determine whether to adopt a new test claim decision to supersede the Commission's previously adopted test claim decision on *Community College Construction*, 02-TC-47.

**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 September 24, 2015, I served the:

**Draft Proposed Decision, Schedule for Comments, and Notice of Hearing**

Mandate Redetermination Request, 14-MR-03

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
and Statutes 1995, Chapter 758

As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

Department of Finance, Requester

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 September 24, 2015 at Sacramento, California.

  
Jill L. Magee  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 9/10/15

**Claim Number:** 14-MR-03

**Matter:** Community College Construction (02-TC-47)

**Requester:** Department of Finance

### 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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**BETTY T. YEE**  
California State Controller  
Division of Accounting and Reporting



**Exhibit F**

October 8, 2015

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

Re: Draft Proposed Decision, Schedule for Comments, and Notice of Hearing  
Mandate Redetermination Request, 14-MR-03  
Community College Construction (02-TC-47)  
Education Code Sections 81820, 81821(a), (b), (e), and (f)  
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
Statutes 1995, Chapter 758  
As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)  
Department of Finance, Requester

Dear Ms. Halsey:

The State Controller's Office reviewed the draft proposed decision for the Community College Construction program and recommends no changes.

Should you have any questions regarding the above, please contact Tam Nguyen at (916) 324-2341 or email [CNNguyen@sco.ca.gov](mailto:CNNguyen@sco.ca.gov).

Sincerely,

JAY LAL, Manager  
Local Reimbursements Section



**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 October 8, 2015, I served the:

**SCO Comments**

Mandate Redetermination Request, 14-MR-03

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

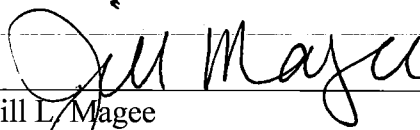
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
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As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

Department of Finance, Requester

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 October 8, 2015 at Sacramento, California.



Jill L. Magee  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 9/10/15

**Claim Number:** 14-MR-03

**Matter:** Community College Construction (02-TC-47)

**Requester:** Department of Finance

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**Exhibit G**

December 4, 2015

Mr. Chris Ferguson  
Department of Finance  
915 L Street, 7th Floor  
Sacramento, CA 95814

*And Parties, Interested Parties, and Interested Persons (See Mailing List)*

Re: **First Hearing Decision, Second Hearing Draft Proposed Decision, Draft Expedited Amendment to Parameters and Guidelines, and Notice of Hearing**  
Mandate Redetermination Request, 14-MR-03  
First Hearing: Adequate Showing  
*Community College Construction (02-TC-47)*  
Education Code Sections 81820, 81821(a), (b), (e), and (f)  
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
Statutes 1995, Chapter 758  
As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)  
Department of Finance, Requester

Dear Mr. Ferguson:

On December 3, 2015 the Commission on State Mandates (Commission) adopted the decision on the adequate showing issue for the above-named matter and directed staff to notice a second hearing to determine whether to adopt a new test claim decision to supersede the previously adopted test claim decision. The adopted decision is enclosed. The draft proposed decision for the second hearing and the draft expedited amendment to parameters and guidelines are enclosed for your review and comment.

**Written Comments on Second Hearing Draft Proposed Decision**

Written comments may be filed on the draft proposed decision by **December 28, 2015**. The draft proposed decision is set for hearing on **January 22, 2016**.

**Written Comments on Draft Expedited Amendment to Parameters and Guidelines**

Staff has prepared a draft expedited amendment to parameters and guidelines for adoption at the January Commission hearing. The draft expedited amendment to parameters and guidelines is set for hearing on **January 22, 2016** and will only be taken up if the Commission first approves the request for redetermination.

Review of Draft Expedited Amendment to Parameters and Guidelines. Proposed comments may be filed on staff's draft proposal by **December 24, 2015**. (Cal. Code Regs., tit. 2, § 1183.9(b).)

Rebuttals. Written rebuttals may be submitted within 15 days of service of the comments. (Cal. Code Regs., tit. 2, § 1183.9(c).)

You are advised that comments filed with the Commission are required to be simultaneously served on the other interested parties on the mailing list, and to be accompanied by a proof of service. However, this requirement may also be satisfied by electronically filing your

Mr. Chris Ferguson  
December 4, 2015  
Page 2

documents. Please see <http://www.csm.ca.gov/dropbox.shtml> on the Commission's website for instructions on electronic filing. (Cal. Code Regs., tit. 2, § 1181.3.)

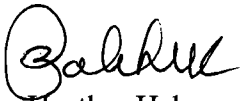
If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

### Hearing

The second hearing on the request for a mandate redetermination is set for **Friday, January 22, 2016**, at 10:00 a.m., State Capitol, Room 447, Sacramento, California. Additionally, the expedited amendment to the parameters and guidelines is also set for hearing on **Friday, January 22, 2016**, but will only be taken up if the Commission first approves the request for redetermination.

The proposed decision for the second hearing and amendment to the parameters and guidelines will be issued on or about January 8, 2016. Please let us know in advance if you or a representative of your agency will testify at the hearing, and if other witnesses will appear. If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the Commission's regulations.

Sincerely,

 FOR

Heather Halsey  
Executive Director

BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

IN RE MANDATE REDETERMINATION:  
FIRST HEARING: ADEQUATE SHOWING  
ON:

Education Code Sections 81820 and  
81821(a), (b), (e), and (f);

Statutes 1980, Chapter 910; Statutes 1981,  
Chapter 470; Statutes 1981, Chapter 891;  
Statutes 1995, Chapter 758;

As Alleged to be Modified by:  
Statutes 2014, Chapter 34 (SB 860)

Filed on June 19, 2015

By the Department of Finance, Requester

Case No.: 14-MR-03

*Community College Construction  
(02-TC-47)*

DECISION PURSUANT TO  
GOVERNMENT CODE SECTION  
17500, ET SEQ.; CALIFORNIA CODE  
OF REGULATIONS, TITLE 2,  
DIVISION 2, CHAPTER 2.5,  
ARTICLE 7.

*(Adopted December 3, 2015)*

*(Served December 4, 2015)*

**DECISION**

The Commission on State Mandates (Commission) heard and decided this mandate redetermination during a regularly scheduled hearing on December 3, 2015. Donna Ferebee and Keith Nezaam appeared on behalf of the Department of Finance (Finance).

Government Code section 17570 and section 1190 et seq. of the Commission's regulations establish the mandate redetermination process. In addition, the law applicable to the Commission's determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code section 17500 et seq., title 2, California Code of Regulations 1181.1 et seq., and related case law.

The Commission adopted the proposed decision at the hearing by a vote of 4-0, and directed staff to notice a second hearing to determine whether to adopt a new test claim decision to supersede the previously adopted test claim decision. The Commission voted as follows:

<b>Member</b>	<b>Vote</b>
Richard Chivaro, Representative of the State Controller, Vice Chairperson	Yes
Mark Hariri, Representative of the State Treasurer	Yes
Scott Morgan, Representative of the Director of the Office of Planning and Research	Yes
Sarah Olsen, Public Member	Absent
Eraina Ortega, Representative of the Director of the Department of Finance, Chairperson	Yes
Carmen Ramirez, City Council Member	Absent
Don Saylor, County Supervisor	Absent



## **Summary of Findings**

The Commission finds that Finance has made an adequate showing that pursuant to article XIII B, section 6(a) of the California Constitution, the state's liability for the *Community College Construction*, 02-TC-47 mandate may be modified based on a subsequent change in law, such that Finance has a substantial probability of prevailing at the second hearing on the request. Specifically, requirements for the five-year plan for capital construction were amended by Statutes 2014, chapter 34 (SB 860, eff. June 20, 2014) to provide that the following information that was approved in the prior test claim decision, and is currently reimbursable in the parameters and guidelines, "may also" rather than "shall" be included: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.<sup>1</sup>

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to continuing review by the governing board. The requirements to include the following in the plan were not approved in the test claim decision because those requirements, and the general requirement to have the plan subject to continuing review, were not new:

- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors, and
- (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

In addition, the requirement to review the five-year plan on a continuing basis under Education Code section 81820 was approved only as to the newly required content in the prior test claim decision, because the requirement for continuing review was not new. Therefore, since the information in former Education Code section 81821, which the Commission found to impose a mandated new program or higher level of service in *Community College Construction*, 02-TC-47, appears to now be permissive, the requirement for continuing review of that content would also be permissive.

Pursuant to Government Code section 17570(b)(d)(4), the Commission will hold a second hearing to determine if a new test claim decision shall be adopted to supersede the previously adopted test claim decision.

## **COMMISSION FINDINGS**

### **I. Chronology**

10/27/2011            The Commission adopted the Test Claim Statement of Decision.<sup>2</sup>

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<sup>1</sup> Former Education Code 81821(a), (b), (e), and (f).

<sup>2</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47.

03/23/2012	The Commission adopted the Parameters and Guidelines. <sup>3</sup>
06/20/2014	Statutes 2014, chapter 34 (SB 860) was filed by the Secretary of State and became effective immediately. <sup>4</sup>
06/19/2015	Finance filed the Request for Mandate Redetermination. <sup>5</sup>
07/31/2015	The State Controller's Office (Controller) submitted comments on the request. <sup>6</sup>
09/24/2015	Commission staff issued the First Hearing Draft Proposed Decision. <sup>7</sup>
10/08/2015	The Controller submitted comments on the First Hearing Draft Proposed Decision. <sup>8</sup>

## II. Background

The Community College Construction Act of 1980 requires the governing boards of community college districts to prepare and submit to the Board of Governors (a state agency), "a plan for capital construction for community college purposes of the district." As amended in 1990, the plan requires:

The plan shall reflect capital construction for community college purposes of the district for the five-year period commencing with the next proposed year of funding. The five-year plan shall be subject to continuing review by the governing board and annually shall be extended one year, and there shall be submitted to the board of governors, on or before the first day of February in each succeeding year, a report outlining the required modifications or changes, if any, in the five-year plan.<sup>9</sup>

Education Code section 81821, as amended in 1995, identified the information required to be included in the five-year plan for capital construction as follows:

The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to elements including at least all of the following:

- (a) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be

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<sup>3</sup> Exhibit C, Parameters and Guidelines, *Community College Construction*, 02-TC-47.

<sup>4</sup> Exhibit G, Statutes 2014, chapter 34 (selected pages). Urgency statutes become effective immediately upon enactment (Cal. Const., art. IV, section 8(c)(3)).

<sup>5</sup> Exhibit A, Request for Mandate Redetermination.

<sup>6</sup> Exhibit D, Controller's Comments on Request for Mandate Redetermination.

<sup>7</sup> Exhibit E, First Hearing Draft Proposed Decision.

<sup>8</sup> Exhibit F, Controller's Comments on Draft Proposed Decision for the First Hearing.

<sup>9</sup> Education Code section 81820 (Stats. 1990, ch. 1372).

emphasized.

- (b) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the community college district.
- (c) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (d) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (e) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- (f) An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

On October 27, 2011, the Commission adopted the *Community College Construction*, 02-TC-47 test claim decision based on Education Code section 81800 et seq., as added and amended by statutes enacted from 1980 through 1995. The Commission found that Education Code section 81820 did not impose a new program or higher level of service for requiring community college districts to prepare, submit, and review on a continuing basis a five-year capital construction plan because these were required under prior law enacted in 1967, by former Education Code section 20065.<sup>10</sup> However, some of the information included in the plan, identified in Education Code section 81821(a), (b), (e), and (f), was newly required by the test claim statutes. The Commission approved the test claim, finding that reimbursement was required for including the new information in a community college district's five-year plan for capital construction that is submitted to the Board of Governors. The Commission also approved the continuing review of this newly-required information only pursuant to Education Code section 81820, since the requirement for continuing review of the five-year plan was not new except as to the newly required content in section 81821.

The parameters and guidelines, adopted March 23, 2012, require reimbursement for the following activities beginning July 1, 2001:

Include the following information in the initial five-year plan for capital construction (for community college districts established on or after July 1, 2001), and continually review and report any required modifications or changes with

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<sup>10</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47, page 18.

respect to the following information in the subsequent annual update submitted to the Board of Governors by February 1 of each succeeding year:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)<sup>11</sup>

#### The Alleged Subsequent Change in Law

Finance alleges that Statutes 2014, chapter 34, constitutes a subsequent change in law that modifies the state's liability for this program. The 2014 statute amended Education Code section 81821 by providing that enrollment and facility capacity information, formerly required under subdivisions (c) and (d), "shall" be included in the content of the five-year plan in subdivision (a). As determined by the Commission in the *Community College Construction*, 02-TC-47 test claim decision, the enrollment and facility capacity information was required under prior law and did not constitute a new program or higher level of service. Thus, reimbursement was denied for preparing and submitting that information.<sup>12</sup>

The 2014 statute then adds subdivision (b) to provide that the new information previously approved by the Commission for reimbursement in the *Community College Construction* test claim decision (in former Ed. Code, § 81821(a), (b), (e), and (f)) now "may also" (rather than "shall") be included in the plan as estimated capital construction needs of the district. Statutes 2014, chapter 34, section 15 amends section 81821 as follows (with amendments noted in strikeout and underline):

- (a) The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to ~~elements including at least all~~ both of the following elements:
- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors.
  - (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted

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<sup>11</sup> Exhibit C, Parameters and Guidelines, *Community College Construction*, 02-TC-47, page 3.

<sup>12</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47, pages 18-21.

by the board of governors.

(b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but not limited to:

- ~~(a) (1) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.~~
- ~~(b) (2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the community college district Chancellor of the California Community Colleges.~~
- ~~(c) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~
- ~~(d) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~
- ~~(e) (3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.~~
- ~~(f) (4) An estimate of district funds which that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.~~

The legislative history of this 2014 amendment states that it: “Makes permissive a requirement that community colleges submit specified facilities information to the CCC Chancellor's office, thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).”<sup>13</sup>

#### Mandate Redetermination Process under Section 17570

Government Code section 17570 provides a process for a test claim decision to be redetermined and superseded by a new test claim decision if a subsequent change in law, as defined, has modified the state’s liability for reimbursement. The redetermination process calls for a two-hearing process. At the first hearing, the requester must make “an adequate showing which identifies a subsequent change in law as defined by Government Code section 17570, material to the prior test claim decision, that may modify the state’s liability pursuant to Article XIII B,

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<sup>13</sup> Exhibit G, Assembly Floor Analysis of Senate Bill No. 860 (2013-2014 Reg. Sess.) as amended June 12, 2014, page 3.

section 6(a) of the California Constitution.”<sup>14</sup> A subsequent change in law is defined in section 17570 as follows:

[A] change in law that requires a finding that an incurred cost is a cost mandated by the state, as defined by Section 17514, or is not a cost mandated by the state pursuant to Section 17556, or a change in mandates law, except that a “subsequent change in law” does not include the amendments to Section 6 of Article XIII B of the California Constitution that were approved by the voters on November 2, 2004. A “subsequent change in law” also does not include a change in the statutes or executive orders that impose new state-mandated activities and require a finding pursuant to subdivision (a) of Section 17551.<sup>15</sup>

The Commission shall find that the requester has made an adequate showing if it “finds that the request, when considered in light of all of the written comments and supporting documentation in the record of this request, has a substantial possibility of prevailing at the second hearing.”<sup>16</sup> If the Commission finds at the first hearing, that the requester has made an adequate showing, it “shall publish a decision finding that an adequate showing has been made and setting the second hearing on whether the Commission shall adopt a new test claim decision to supersede the previously adopted test claim decision.”<sup>17</sup>

### **III. Positions of the Parties, Interested Parties, and Interested Persons**

#### **A. Department of Finance, Requester**

In its request for redetermination, Finance states:

Chapter 34, Statutes of 2014 (SB 860) made components of Education Code section 81821, that were determined to be reimbursable activities, permissive by moving those components into a subdivision that allows rather than requires specified estimates to be included in the district’s five-year capital construction plan.<sup>18</sup>

Finance maintains that because the activities determined to be reimbursable are now permissive, the state’s liability should be zero as of June 20, 2014, the effective date of Statutes 2014, chapter 34.

#### **B. State Controller**

The Controller states that it “concurs with the Department of Finance's request to adopt a new test claim decision and to amend the parameters and guidelines for the Community College

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<sup>14</sup> California Code of Regulations, title 2, section 1190.5(a)(1) (Register 2014, No. 21).

<sup>15</sup> Government Code section 17570, as added by Statutes 2010, chapter 719 (SB 856).

<sup>16</sup> California Code of Regulations, title 2, section 1190.5(a)(1) (Register 2014, No. 21).

<sup>17</sup> California Code of Regulations, title 2, section 1190.5(a)(5)(B) (Register 2014, No. 21).

<sup>18</sup> Exhibit A, Request for Mandate Redetermination, page 1.

Construction Program.”<sup>19</sup> Commenting on the draft proposed decision for the first hearing, the Controller “recommends no changes.”<sup>20</sup>

#### **IV. Discussion**

Under Government Code section 17570, upon request, the Commission may consider the adoption of a new test claim decision to supersede a prior test claim decision based on a subsequent change in law that modifies the state’s liability.

The first hearing in the mandate redetermination process is to determine, pursuant to the Government Code and the Commission’s regulations, only whether the requester has made an adequate showing that the state’s liability has been modified based on a subsequent change in law, as defined. Therefore, the analysis will be limited to whether the request, when considered in light of all of the written comments and supporting documentation in the record of this request, has a substantial possibility of prevailing at the second hearing.”<sup>21</sup> If the Commission determines that an adequate showing has been made, a thorough mandates analysis to determine whether and to what extent the state’s liability has been modified, considering the applicable law, the arguments put forth by the parties and interested parties, and the facts in the record, will be prepared for the second hearing on this matter.

##### **A. Statutes 2014, Chapter 34 Constitutes a Subsequent Change in Law Within the Meaning of Government Code Section 17570.**

Government Code section 17570(b) states that the Commission may adopt a new test claim decision to supersede a previously adopted test claim decision only upon a showing that, pursuant to article XIII B section 6, the state’s liability has been modified based on a subsequent change in law. A subsequent change in law is defined in Government Code section 17570(a)(2) as:

A change in law that requires a finding that an incurred cost is a cost mandated by the state, as defined by Section 17514, or is not a cost mandated by the state pursuant to Section 17556, or a change in mandates law, except that a “subsequent change in law” does not include the amendments to Section 6 of Article XIII B of the California Constitution that were approved by the voters on

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<sup>19</sup> Exhibit D, Controller’s Comments on Request for Mandate Redetermination.

<sup>20</sup> Exhibit F, Controller’s Comments on Draft Proposed Decision for the First Hearing.

<sup>21</sup> California Code of Regulations, title 2, section 1190.5 (Register 2014, No. 21). This regulation describes the standard for the first hearing as follows:

The first hearing shall be limited to the issue of whether the requester has made an adequate showing which identifies a subsequent change in law as defined by Government Code section 17570, material to the prior test claim decision, that may modify the state’s liability pursuant to Article XIII B, section 6(a) of the California Constitution. The Commission shall find that the requester has made an adequate showing if it finds that the request, when considered in light of all of the written comments and supporting documentation in the record of this request, has a substantial possibility of prevailing at the second hearing.

November 2, 2004. A “subsequent change in law” also does not include a change in the statutes or executive orders that impose new state-mandated activities and require a finding pursuant to subdivision (a) of Section 17551.<sup>22</sup>

Effective June 20, 2014,<sup>23</sup> Statutes 2014, chapter 34, amended Education Code section 81821 by providing, in subdivision (b), that the new information previously approved by the Commission for reimbursement in the *Community College Construction* test claim decision (formerly required by Ed. Code, § 81821(a), (b), (e), and (f)) is no longer required to be included in the five-year plan for capital construction, but “may also” be included in the plan as estimated capital construction needs of the district as follows (with amendments noted in strikeout and underline):

(b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but not limited to:

- ~~(a)~~ (1) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.
- ~~(b)~~ (2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the ~~community college district~~ Chancellor of the California Community Colleges.
- ~~(c)~~ The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- ~~(d)~~ District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- ~~(e)~~ (3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- ~~(f)~~ (4) An estimate of district funds ~~which~~ that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

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<sup>22</sup> Government Code section 17570(a)(2).

<sup>23</sup> Urgency statutes become effective immediately upon enactment (Cal. Const., art. IV, section 8(c)(3)).



Finance asserts that the plain language of section 81821(b), as amended, makes the requirements in the parameters and guidelines permissive by substituting the word “may” in place of the word “shall,” resulting in no costs mandated by the state for this program.<sup>24</sup>

The Commission finds that Finance has made an adequate showing that Statutes 2014, chapter 34, as it amends Education Code section 81821, may require a finding that the state’s liability for the *Community College Construction*, 02-TC-47 program has been modified. Courts generally interpret the word “may” as permissive and “shall” as mandatory.<sup>25</sup> Thus, as amended, Education Code section 81821 no longer contains the mandatory language requiring community college districts to include in their five-year plans for capital construction, the following information found by the Commission to impose a reimbursable state-mandated program: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. However, since the content information in former Education Code section 81821(a), (b), (e), and (f), which the Commission found to impose a mandated new program or higher level of service in *Community College Construction*, 02-TC-47, is no longer required to be included in the plan, any continuing review of that information pursuant to Education Code section 81820 would be permissive.

Therefore, the Commission finds that Statutes 2014, chapter 34 establishes a subsequent change in law pursuant to Government Code section 17570(a)(2), that may require a finding that the state’s liability has been modified.

**B. The Requester Has Made an Adequate Showing That the State’s Liability May Be Modified Based on a Subsequent Change in Law.**

Education Code section 81821(b) now states that community colleges now “may” rather than “shall” include in their five-year plan for capital construction, the following information that is currently listed in the parameters and guidelines as eligible for reimbursement: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.<sup>26</sup> The legislative history of this amendment indicates that it: “Makes permissive a requirement that community colleges submit specified facilities information to the CCC Chancellor's office, thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).”<sup>27</sup>

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<sup>24</sup> Exhibit A, Request for Mandate Redetermination, page 1.

<sup>25</sup> Education Code section 75. *John Doe v. Albany Unified School District* (2010) 190 Cal.App.4th 668, 676 on statutory construction involving the terms “may” and “shall.”

<sup>26</sup> Former Education Code 81821(a), (b), (e), and (f).

<sup>27</sup> Exhibit G, Assembly Floor Analysis of Senate Bill No. 860 (2013-2014 Reg. Sess.) as amended June 12, 2014, page 3.

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. The requirements to include the following in the plan were not approved in the test claim decision because those requirements, and the general requirement to have the plan, were not new:

- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors, and
- (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

In addition, the requirement to review under Education Code section 81820 was approved only as to the newly required content in the prior test claim decision, because the requirement for continuing review was not new. Therefore, since the content information in former Education Code section 81821, which the Commission found to impose a mandated new program or higher level of service in *Community College Construction*, 02-TC-47 appears to now be permissive, so too would be the requirement to review as to that content. As a result, it appears that this subsequent change in law may modify the state's liability for this program.

For the reasons discussed above, the Commission finds that Finance has made an adequate showing that the state's liability may be modified pursuant to Statutes 2014, chapter 34, a subsequent change in law, such that Finance has a substantial possibility of prevailing at the second hearing.

## **V. Conclusion**

Based on the foregoing, the Commission finds that the requester has made an adequate showing that the state's liability for the *Community College Construction*, 02-TC-47 mandate may be modified based on a subsequent change in law and that Finance has a substantial probability of prevailing at the second hearing. The Commission hereby directs Commission staff to notice the second hearing to determine whether to adopt a new test claim decision to supersede the Commission's previously adopted test claim decision on *Community College Construction*, 02-TC-47.

**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

**RE: Decision**

Mandate Redetermination Request, 14-MR-03

First Hearing: Adequate Showing

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

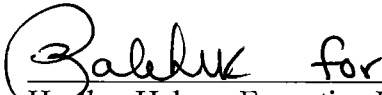
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;

Statutes 1995, Chapter 758

As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

Department of Finance, Requester

On December 3, 2015, the foregoing decision of the Commission on State Mandates was adopted on the above-entitled matter.

 for  
Heather Halsey, Executive Director

Dated: December 4, 2015

**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 December 4, 2015, I served the:

**First Hearing Decision, Second Hearing Draft Proposed Decision, Draft Expedited Amendment to Parameters and Guidelines, and Notice of Hearing**

Mandate Redetermination Request, 14-MR-03

First Hearing: Adequate Showing

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;

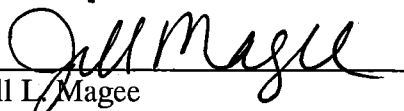
Statutes 1995, Chapter 758

As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

Department of Finance, Requester

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 December 4, 2015 at Sacramento, California.

  
Jill L. Magee  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 12/2/15

**Claim Number:** 14-MR-03

**Matter:** Community College Construction (02-TC-47)

**Requester:** Department of Finance

### 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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December 4, 2015

Mr. Chris Ferguson  
Department of Finance  
915 L Street, 7th Floor  
Sacramento, CA 95814

*And Parties, Interested Parties, and Interested Persons (See Mailing List)*

Re: **First Hearing Decision, Second Hearing Draft Proposed Decision, Draft Expedited Amendment to Parameters and Guidelines, and Notice of Hearing**  
Mandate Redetermination Request, 14-MR-03  
First Hearing: Adequate Showing  
*Community College Construction (02-TC-47)*  
Education Code Sections 81820, 81821(a), (b), (e), and (f)  
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
Statutes 1995, Chapter 758  
As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)  
Department of Finance, Requester

Dear Mr. Ferguson:

On December 3, 2015 the Commission on State Mandates (Commission) adopted the decision on the adequate showing issue for the above-named matter and directed staff to notice a second hearing to determine whether to adopt a new test claim decision to supersede the previously adopted test claim decision. The adopted decision is enclosed. The draft proposed decision for the second hearing and the draft expedited amendment to parameters and guidelines are enclosed for your review and comment.

**Written Comments on Second Hearing Draft Proposed Decision**

Written comments may be filed on the draft proposed decision by **December 28, 2015**. The draft proposed decision is set for hearing on **January 22, 2016**.

**Written Comments on Draft Expedited Amendment to Parameters and Guidelines**

Staff has prepared a draft expedited amendment to parameters and guidelines for adoption at the January Commission hearing. The draft expedited amendment to parameters and guidelines is set for hearing on **January 22, 2016** and will only be taken up if the Commission first approves the request for redetermination.

Review of Draft Expedited Amendment to Parameters and Guidelines. Proposed comments may be filed on staff's draft proposal by **December 24, 2015**. (Cal. Code Regs., tit. 2, § 1183.9(b).)

Rebuttals. Written rebuttals may be submitted within 15 days of service of the comments. (Cal. Code Regs., tit. 2, § 1183.9(c).)

You are advised that comments filed with the Commission are required to be simultaneously served on the other interested parties on the mailing list, and to be accompanied by a proof of service. However, this requirement may also be satisfied by electronically filing your

Mr. Chris Ferguson  
December 4, 2015  
Page 2

documents. Please see <http://www.csm.ca.gov/dropbox.shtml> on the Commission's website for instructions on electronic filing. (Cal. Code Regs., tit. 2, § 1181.3.)

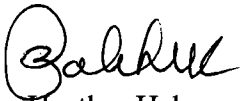
If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

### Hearing

The second hearing on the request for a mandate redetermination is set for **Friday, January 22, 2016**, at 10:00 a.m., State Capitol, Room 447, Sacramento, California. Additionally, the expedited amendment to the parameters and guidelines is also set for hearing on **Friday, January 22, 2016**, but will only be taken up if the Commission first approves the request for redetermination.

The proposed decision for the second hearing and amendment to the parameters and guidelines will be issued on or about January 8, 2016. Please let us know in advance if you or a representative of your agency will testify at the hearing, and if other witnesses will appear. If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the Commission's regulations.

Sincerely,

 FOR

Heather Halsey  
Executive Director

**ITEM \_\_\_\_**  
**MANDATE REDETERMINATION**  
**SECOND HEARING: NEW TEST CLAIM DECISION**  
**DRAFT PROPOSED DECISION**

Education Code Sections 81820 and 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910; Statutes 1981, Chapter 470;  
Statutes 1981, Chapter 891; Statutes 1995, Chapter 758

As Alleged to be Modified by:  
Statutes 2014, Chapter 34 (SB 860)

*Community College Construction (02-TC-47)*

14-MR-03

Department of Finance, Requester

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**EXECUTIVE SUMMARY**

**Overview**

On October 27, 2011, the Commission on State Mandates (Commission) adopted the *Community College Construction*, 02-TC-47, test claim statement of decision, approving reimbursement for community colleges to include new information in their districts' five-year plans for capital construction that must be submitted to the Board of Governors, a state agency.

The Commission adopted parameters and guidelines on March 23, 2012, authorizing reimbursement for community colleges to:

Include the following information in the initial five-year plan for capital construction (for community college districts established on or after July 1, 2001), and continually review and report any required modifications or changes with respect to the following information in the subsequent annual update submitted to the Board of Governors by February 1 of each succeeding year:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (Former § 81821(a).)<sup>1</sup>
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (Former § 81821(b).)

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<sup>1</sup> All citations refer to the Education Code unless otherwise indicated.

- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (Former § 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (Former § 81821(f).)

The Commission also approved the continuing review of the five-year plan as required by 81820, but only as to this newly required content since the requirement to review the plan was not new.

This mandate redetermination request is based on the change in law made by Statutes 2014, chapter 34 (SB 860, eff. June 20, 2014), which amended Education Code section 81821 to provide that the new information described above “may also” rather than “shall” be included in the plan and reviewed on a continuing basis, which the Department of Finance (Finance) argues makes the inclusion and review now discretionary.

### **Procedural History**

On June 19, 2015, Finance filed a request for redetermination of the *Community College Construction*, 02-TC-47 decision, arguing that Senate Bill 860 (Stats. 2014, ch. 34) renders the mandate no longer reimbursable.<sup>2</sup> On July 31, 2015, the State Controller’s Office (Controller) concurred with Finance’s request to adopt a new test claim decision.<sup>3</sup>

On September 24, 2015, Commission staff issued the draft proposed decision for the first hearing. On October 8, the Controller filed comments concurring with the draft proposed decision for the first hearing. Neither Finance nor any of the claimants filed comments on the draft proposed decision for the first hearing.

At the December 3, 2015 hearing, the Commission adopted the first hearing decision on this mandate redetermination, finding that Finance made an adequate showing that the request identified a subsequent change in law, as defined, that may modify the state’s liability for this program such that Finance had a substantial possibility of prevailing at the second hearing, and the Commission directed staff to notice the second hearing on whether to adopt a new test claim decision.<sup>4</sup> On December 4, Commission staff issued the draft proposed decision for the second hearing.<sup>5</sup>

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<sup>2</sup> Exhibit A, Request for Mandate Redetermination, page 1. Based on the June 19, 2015 filing date, the potential period of reimbursement for this redetermination would begin June 20, 2014, the effective date of Statutes 2014, chapter 34, which is alleged to constitute the subsequent change in law.

<sup>3</sup> Exhibit D, Office of the State Controller, Comments on the Request for Mandate Redetermination.

<sup>4</sup> Exhibit F, First Hearing Decision adopted on December 3, 2015.

<sup>5</sup> Exhibit G, Draft Proposed Decision, Second Hearing.

## **Commission Responsibilities**

Government Code section 17570 provides a process whereby a previously determined mandate finding can be redetermined by the Commission based on a subsequent change in law. The redetermination process provides for two hearings. With regard to the second hearing the Commission's regulations state:

If the Commission proceeds to the second hearing, it shall consider whether the state's liability . . . has been modified based on the subsequent change in law alleged by the requester, thus requiring adoption of a new test claim decision to supersede the previously adopted test claim decision.<sup>6</sup>

Therefore, the issue before the Commission at this second hearing is whether the state's liability has been modified based on a subsequent change in law, as defined in section 17570, thus requiring adoption of a new test claim decision to supersede the previously adopted test claim decision.

## **Staff Analysis**

### **A. Statutes 2014, Chapter 34 Has Eliminated the State's Liability for the *Community College Construction Program*.**

Statutes 2014, chapter 34 (SB 860, eff. June 20, 2014) amended Education Code section 81821 as follows in underline and strikeout:

- (a) The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to ~~elements including~~ at least all both of the following elements:
- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors.
- (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.
- (b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but not limited to:
- ~~(a)~~ (1) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.
- ~~(b)~~ (2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district

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<sup>6</sup> Code of Regulations, title 2, section 1190.5(b)(1) (Register 2014, No. 21).

shall be made cooperatively by the Department of Finance and the ~~community college district~~ Chancellor of the California Community Colleges.

- ~~(c) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~
- ~~(d) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~
- ~~(e)~~ (3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- ~~(f)~~ (4) An estimate of district funds ~~which~~ that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

This is a subsequent change in law that modifies the requirements that were approved in the prior test claim decision.

Therefore, staff finds that the state's liability pursuant to article XIII B, section 6(a) of the California Constitution, for *Community College Construction*, 02-TC-47, has been modified based on a subsequent change in law. Specifically, as amended, Education Code section 81821(b) now states that community colleges now "may" rather than "shall" include in their five-year plans for capital construction the following information that is currently reimbursable in the parameters and guidelines: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.<sup>7</sup>

The courts, when interpreting the state mandate requirements of article XIII B, section 6 of the California Constitution, have held that activities undertaken at the option or discretion of a local governmental entity, without any legal compulsion or threat of penalty for nonparticipation, do not trigger a state mandate.<sup>8</sup> Moreover, courts generally interpret the word "may" as permissive and "shall" as mandatory.<sup>9</sup>

The legislative history of this amendment indicates that it: "Makes permissive a requirement that community colleges submit specified facilities information to the CCC Chancellor's office,

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<sup>7</sup> Former Education Code section 81821(a), (b), (e), (f).

<sup>8</sup> *City of Merced v. State of California* (1984) 153 Cal.App.3d 777, 783; *Department of Finance v. Commission on State Mandates (Kern High School Dist.)* (2003) 30 Cal.4th 727, 742; *Department of Finance v. Commission on State Mandates (POBRA)* (2009) 170 Cal.App.4th 1355, 1365-1366.

<sup>9</sup> Education Code section 75. *John Doe v. Albany Unified School District* (2010) 190 Cal.App.4th 668, 676 on statutory construction involving the terms "may" and "shall."

thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).”<sup>10</sup> Thus, based on the plain language of Statutes 2014, chapter 34 and the stated intent of the Legislature, the inclusion of this information in the five-year plan is not legally compelled by state law, and there is no evidence in the record that community college districts are practically compelled to include this information in their five-year plans. Therefore, including the information in the plan that was formerly required by former Education Code section 81821(a), (b), (e), and (f), is no longer mandated by the state.

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. The requirement to include the following in the plan were not approved in the test claim decision because these elements, and the general the requirement to have the plan, were not new:

- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors, and
- (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

In addition, the requirement for continuing review under Education Code section 81820 was approved only as to the newly required content in the prior test claim decision, because the requirement for continuing review was not new.

Therefore, since the information in former Education Code section 81821(a), (b), (e), and (f), is no longer required to be included in the plan, any continuing review of that information pursuant to Education Code section 81820 would be permissive and not mandated by the state.

Reimbursement is not required for downstream requirements that increase local costs that are triggered by a local discretionary decision to participate in a program.<sup>11</sup>

Based on this analysis, staff concludes that the *Community College Construction* program no longer imposes a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution, effective June 20, 2014.

### **Staff Recommendation**

Staff recommends that the Commission adopt the proposed decision as its new test claim decision, ending reimbursement for the *Community College Construction* program beginning June 20, 2014.

Staff also recommends that the Commission authorize staff to make any non-substantive, technical changes to the proposed decision following the hearing.

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<sup>10</sup> Exhibit X, Assembly Floor Analysis of Senate Bill No. 860 (2013-2014 Reg. Sess.) as amended June 12, 2014, page 3.

<sup>11</sup> *Ibid.*

BEFORE THE  
COMMISSION ON STATE MANDATES  
STATE OF CALIFORNIA

IN RE MANDATE REDETERMINATION:  
SECOND HEARING: NEW TEST CLAIM  
DECISION FOR:

Education Code Sections 81820 and  
81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910; Statutes 1981,  
Chapter 470; Statutes 1981, Chapter 891;  
Statutes 1995, Chapter 758

As Alleged to be Modified by:

Statutes 2014, Chapter 34 (SB 860)

Filed on June 19, 2015

By the Department of Finance, Requester

Case No.: 14-MR-03

*Community College Construction  
(02-TC-47)*

DECISION PURSUANT TO  
GOVERNMENT CODE SECTION  
17500, ET SEQ.; CALIFORNIA CODE  
OF REGULATIONS, TITLE 2,  
DIVISION 2, CHAPTER 2.5,  
ARTICLE 7.

*(Adopted January 22, 2016)*

**DECISION**

The Commission on State Mandates (Commission) heard and decided this mandate redetermination during a regularly scheduled hearing on January 22, 2016. [Witness list will be included in the adopted decision.]

Government Code section 17570 and section 1190 et seq. of the Commission's regulations establish the mandate redetermination process. In addition, the law applicable to the Commission's determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code section 17500 et seq., title 2, California Code of Regulations 1181.1 et seq., and related case law.

The Commission [adopted/modified] the proposed decision at the hearing by a vote of [vote count will be included in the adopted decision], and [adopted/did not adopt] a new test claim decision to supersede the previously adopted test claim decision as follows:

<b>Member</b>	<b>Vote</b>
Ken Alex, Director of the Office of Planning and Research	
Richard Chivaro, Representative of the State Controller, Vice Chairperson	
Mark Hariri, Representative of the State Treasurer	
Sarah Olsen, Public Member	
Eraina Ortega, Representative of the Director of the Department of Finance, Chairperson	
Carmen Ramirez, City Council Member	
Don Saylor, County Supervisor	



## **Summary of Findings**

The Commission finds that the state's liability pursuant to article XIII B, section 6(a) of the California Constitution, for *Community College Construction*, 02-TC-47, has been modified based on a subsequent change in law. Specifically, requirements for the five-year plan for capital construction were amended by Statutes 2014, chapter 34 (SB 860, eff. June 20, 2014) to provide that the following information that was approved in the prior test claim decision, and is currently reimbursable in the parameters and guidelines, "may also" rather than "shall" be included: plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes.<sup>12</sup> Therefore, the formerly mandated activities are no longer required.

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to continuing review by the governing board. The requirements to include the following in the plan were not approved in the test claim decision because those requirements, and the general requirement to have the plan, were not new:

- (1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors, and
- (2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

In addition, the requirement to review the five-year plan on a continuing basis under Education Code section 81820 was approved only as to the newly required content in the prior test claim decision, because the requirement for continuing review was not new.

The courts, when interpreting the state mandate requirements of article XIII B, section 6 of the California Constitution, have held that activities undertaken at the option or discretion of a local governmental entity, without any legal compulsion or threat of penalty for nonparticipation, do not trigger a state mandate.<sup>13</sup> Based on the plain language of Statutes 2014, chapter 34, the inclusion of formerly mandated information in the five-year plan is now not legally compelled by state law, and there is no evidence in the record that community college districts are practically compelled to include this information in their five-year plans. Thus, including the information in the plan that was formerly required by Education Code section 81821(a), (b), (e), and (f), is no longer mandated by the state.

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. However, since the content information in former Education Code section 81821(a), (b), (e), and (f), which the

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<sup>12</sup> Former Education Code section 81821(a), (b), (e), (f).

<sup>13</sup> *City of Merced v. State of California* (1984) 153 Cal.App.3d 777, 783; *Department of Finance v. Commission on State Mandates (Kern High School Dist.)* (2003) 30 Cal.4th 727, 742; *Department of Finance v. Commission on State Mandates (POBRA)* (2009) 170 Cal.App.4th 1355, 1365-1366.

Commission found to impose a mandated new program or higher level of service in 02-TC-47, is no longer required to be included in the plan, any continuing review of that information pursuant to Education Code section 81820 would be permissive and not mandated by the state. Reimbursement is not required for downstream requirements that increase local costs that are triggered by a local discretionary decision to participate in a program.<sup>14</sup>

Pursuant to Government Code section 17570, the Commission approves the request for redetermination and concludes that the *Community College Construction* program no longer imposes a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution, effective June 20, 2014.

## COMMISSION FINDINGS

### I. Chronology

10/27/2011	The Commission adopted the Test Claim Statement of Decision. <sup>15</sup>
03/23/2012	The Commission adopted the Parameters and Guidelines. <sup>16</sup>
06/20/2014	Statutes 2014, chapter 34 (SB 860) was filed by the Secretary of State and became effective immediately. <sup>17</sup>
06/19/2015	Finance filed the Request for Mandate Redetermination. <sup>18</sup>
07/31/2015	The State Controller's Office (Controller) submitted comments on the request. <sup>19</sup>
09/24/2015	Commission staff issued the First Hearing Draft Proposed Decision.
10/08/2015	The State Controller filed comments on the First Hearing Draft Proposed Decision.
12/03/2015	The Commission adopted the Proposed Decision at the first hearing and directed Commission staff to notice the second hearing. <sup>20</sup>
12/04/2015	Commission staff issued the Second Hearing Draft Proposed Decision and the Draft Expedited Amendment to the Parameters and Guidelines

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<sup>14</sup> *Ibid.*

<sup>15</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47.

<sup>16</sup> Exhibit C, Parameters and Guidelines, *Community College Construction*, 02-TC-47.

<sup>17</sup> Exhibit X, Statutes 2014, chapter 34 (selected pages).

<sup>18</sup> Exhibit A, Request for Mandate Redetermination.

<sup>19</sup> Exhibit D, Office of the State Controller, Comments on the Request for Mandate Redetermination.

<sup>20</sup> Exhibit F, First Hearing Decision adopted on December 3, 2015.

## II. Background

The Community College Construction Act of 1980 requires the governing boards of community college districts to prepare and submit to the Board of Governors (a state agency), “a plan for capital construction for community college purposes of the district.” As amended in 1990, the plan requires:

The plan shall reflect capital construction for community college purposes of the district for the five-year period commencing with the next proposed year of funding. The five-year plan shall be subject to continuing review by the governing board and annually shall be extended one year, and there shall be submitted to the board of governors, on or before the first day of February in each succeeding year, a report outlining the required modifications or changes, if any, in the five-year plan.<sup>21</sup>

Education Code section 81821, as amended in 1995, identified the information required to be included in the five-year plan for capital construction as follows:

The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to elements including at least all of the following:

- (a) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.
- (b) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the community college district.
- (c) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (d) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.
- (e) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- (f) An estimate of district funds which shall be made available for capital outlay

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<sup>21</sup> Education Code section 81820 (Stats. 1990, ch. 1372).

matching purposes pursuant to regulations adopted by the board of governors.

On October 27, 2011, the Commission adopted the *Community College Construction*, 02-TC-47 test claim decision, based on Education Code section 81800 et seq., as added and amended by statutes enacted from 1980 through 1995. The Commission found that Education Code section 81820 did not impose a new program or higher level of service for requiring community college districts to prepare, submit, and review on a continuing basis, a five-year capital construction plan because these were required under prior law enacted in 1967, by former Education Code section 20065.<sup>22</sup> However, some of the information included in the plan, identified in Education Code section 81821(a), (b), (e), and (f), was newly required by the test claim statutes. The Commission approved the test claim, finding that reimbursement was required for including the new information in a community college district's five-year plan for capital construction that is submitted to the Board of Governors. The Commission also approved the continuing review of this newly-required information pursuant to Education Code section 81820, since the requirement for continuing review of the five-year plan was only new as to the newly-required content in section 81821.

The parameters and guidelines, adopted March 23, 2012, require reimbursement for the following activities beginning July 1, 2001:

Include the following information in the initial five-year plan for capital construction (for community college districts established on or after July 1, 2001), and continually review and report any required modifications or changes with respect to the following information in the subsequent annual update submitted to the Board of Governors by February 1 of each succeeding year:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)<sup>23</sup>

#### The Subsequent Change in Law

Effective June 20, 2014, Statutes 2014, chapter 34 amended Education Code section 81821 by providing that enrollment capacity and facility capacity information, formerly required under subdivisions (c) and (d), “shall” be included in the content of the five-year plan in subdivision

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<sup>22</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47, page 18.

<sup>23</sup> Exhibit C, Parameters and Guidelines, *Community College Construction*, 02-TC-47, page 3.

(a). As determined by the Commission in the *Community College Construction*, 02-TC-47 test claim decision, the enrollment and facility capacity information was required under prior law and did not constitute a new program or higher level of service. Thus, reimbursement was denied for preparing and submitting that information.<sup>24</sup>

The 2014 statute also added subdivision (b) to provide that the new information previously approved by the Commission for reimbursement in the *Community College Construction* test claim decision (in former Ed. Code, § 81821(a), (b), (e), and (f)) now “may also” (rather than “shall”) be included in the plan as estimated capital construction needs of the district. Statutes 2014, chapter 34, section 15 amends section 81821 as follows (with amendments noted in strikeout and underline):

(a) The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to ~~elements including~~ at least ~~all~~ both of the following elements:

(1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors.

(2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

(b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but not limited to:

~~(a)~~ (1) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.

~~(b)~~ (2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the ~~community college district~~ Chancellor of the California Community Colleges.

~~(c)~~ The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.

~~(d)~~ District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by

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<sup>24</sup> Exhibit B, Test Claim Statement of Decision, *Community College Construction*, 02-TC-47, pages 18-21.

~~the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~

- ~~(e)~~ (3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- ~~(f)~~ (4) An estimate of district funds ~~which~~ that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

The legislative history of this 2014 amendment states that it: “Makes permissive a requirement that community colleges submit specified facilities information to the CCC Chancellor's office, thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).”<sup>25</sup>

On June 19, 2015, the Department of Finance (Finance) filed a request for redetermination of the *Community College Construction* mandated program. On December 3, 2015, the Commission heard and adopted the first-hearing decision on this mandate redetermination, finding that Finance made an adequate showing that the request identified a subsequent change in law, as defined, that may modify the state’s liability for this program such that Finance had a substantial possibility of prevailing at this second hearing.

### **III. Positions of the Parties, Interested Parties, and Interested Persons**

#### **A. Department of Finance, Requester**

In its request for redetermination, Finance states:

Chapter 34, Statutes of 2014 (SB 860) made components of Education Code section 81821, that were determined to be reimbursable activities, permissive by moving those components into a subdivision that allows rather than requires specified estimates to be included in the district’s five-year capital construction plan.<sup>26</sup>

Finance maintains that because the activities determined to be reimbursable are now permissive, the state’s liability should be zero as of June 20, 2014, the effective date of Statutes 2014, chapter 34.

#### **B. State Controller**

The Controller states that it “concurs with the Department of Finance's request to adopt a new test claim decision and to amend the parameters and guidelines for the Community College Construction Program.”<sup>27</sup>

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<sup>25</sup> Assembly Floor Analysis of Senate Bill No. 860 (2013-2014 Reg. Sess.) as amended June 12, 2014, page 3.

<sup>26</sup> Exhibit A, Request for Mandate Redetermination, page 1.

<sup>27</sup> Exhibit D, Office of the State Controller, Comments on the Request for Mandate Redetermination.

#### IV. Discussion

Under Government Code section 17570, upon request, the Commission may consider the adoption of a new test claim decision to supersede a prior test claim decision based on a subsequent change in law which modifies the states liability. Code of Regulations, title 2, section 1190.5 provides that “[i]f the Commission proceeds to the second hearing, it shall consider whether the state’s liability pursuant to article XIII B, section 6(a) of the California Constitution has been modified based on the subsequent change in law alleged by the requester, thus requiring adoption of a new test claim decision to supersede the previously adopted test claim decision.”<sup>28</sup>

Therefore, the issue before the Commission at this second hearing is whether the state’s liability has been modified based on a subsequent change in law and, if so, whether to adopt a new test claim decision to supersede the previously adopted test claim decision, reflecting the state’s modified liability.

##### **A. Statutes 2014, Chapter 34 Has Eliminated the State’s Liability for the *Community College Construction Program*.**

Government Code section 17570 provides a process whereby a test claim decision may be redetermined and superseded by a new test claim decision if a subsequent change in law has modified the state’s liability for reimbursement. A subsequent change in law is defined in Government Code section 17570(a)(2) as:

A change in law that requires a finding that an incurred cost is a cost mandated by the state, as defined by Section 17514, or is not a cost mandated by the state pursuant to Section 17556, or a change in mandates law, except that a “subsequent change in law” does not include the amendments to Section 6 of Article XIII B of the California Constitution that were approved by the voters on November 2, 2004. A “subsequent change in law” also does not include a change in the statutes or executive orders that impose new state-mandated activities and require a finding pursuant to subdivision (a) of Section 17551.

This request is based on Statutes 2014, chapter 34, an urgency statute, which became effective on June 20, 2014.<sup>29</sup> Statutes 2014, chapter 34 amended Education Code section 81821 by providing, in subdivision (b), that the new information previously approved by the Commission for reimbursement in the *Community College Construction* test claim decision (formerly required by Ed. Code, § 81821(a),(b),(e),and (f)) is no longer required to be included in the five-year plan for capital construction, but “may also” be included in the plan as estimated capital construction needs of the district as follows (with amendments noted in strikeout and underline):

(b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but not limited to:

~~(a) (1)~~ The plans of the district concerning its future academic and student services

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<sup>28</sup> Register 2014, No. 21.

<sup>29</sup> Urgency statutes become effective immediately upon enactment (Cal. Const., art. IV, section 8(c)(3)).

programs, and the effect on estimated construction needs which may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.

- ~~(b)~~ (2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the ~~community college district~~ Chancellor of the California Community Colleges.
- ~~(c)~~ ~~The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~
- ~~(d)~~ ~~District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors in consultation with the California Postsecondary Education Commission and consistent with its standards.~~
- ~~(e)~~ (3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.
- ~~(f)~~ (4) An estimate of district funds ~~which~~ that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.

The legislative history of this amendment states that it, “Makes permissive a requirement that community colleges submit specified facilities information to the CCC Chancellor's office, thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).”<sup>30</sup>

Finance asserts that the plain language of the section 81821(b), as amended, makes the requirements in the parameters and guidelines permissive by substituting the word “may” in place of the word “shall,” resulting in no costs mandated by the state for this program.<sup>31</sup>

The Commission finds that the state’s liability for *Community College Construction*, 02-TC-47, has been modified based on a subsequent change in law. Pursuant to the amendments made by Statutes 2014, chapter 34, all reimbursable activities identified in the parameters and guidelines for 02-TC-47, are no longer mandated by the state or reimbursable.

The courts, when interpreting the state mandate requirements of article XIII B, section 6 of the California Constitution, have held that activities undertaken at the option or discretion of a local governmental entity, without any legal compulsion or threat of penalty for nonparticipation, do

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<sup>30</sup> Assembly Floor Analysis of Senate Bill No. 860 (2013-2014 Reg. Sess.) as amended June 12, 2014, page 3.

<sup>31</sup> Exhibit A, Request for Mandate Redetermination, page 1.



not trigger a state mandate.<sup>32</sup> This is also true if downstream requirements that increase local costs are triggered by a discretionary local decision to participate in a program.<sup>33</sup> Moreover, courts generally interpret the word “may” as permissive and “shall” as mandatory.<sup>34</sup>

In this case, Education Code section 81821(b), as amended by the 2014 statute, no longer contains the mandatory language that requires community college districts to include in their five-year plans for capital construction the information previously found by the Commission to impose a reimbursable state-mandated program. Thus, the inclusion of this information in the five-year plan is not legally compelled by state law, and there is no evidence in the record that community college districts are practically compelled to include this information in their five-year plans. Including the information in the plan that was formerly required by Education Code section 81821(a), (b), (e), and (f), is no longer mandated by the state.

The Commission further finds that community college districts are not mandated by the state to review this information on a continuing basis, as required Education Code section 81820. Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. However, since the information in former Education Code section 81821(a), (b), (e), and (f), which the Commission found to impose a mandated new program or higher level of service in 02-TC-47, is no longer required to be included in the plan, any continuing review of that information pursuant to Education Code section 81820 would be permissive and not mandated by the state.<sup>35</sup>

Therefore, the Commission finds that Statutes 2014, chapter 34 constitutes subsequent change in law pursuant to Government Code section 17570(a)(2), that modifies the state’s liability for the *Community College Construction* program. Based on this record, and pursuant to the plain language of Statutes 2014, chapter 34, the Commission finds that Education Code sections 81820 and 81821 do not impose a reimbursable state-mandated program within the meaning of article XIII B, section 6.

According to Government Code section 17570, a redetermination request “shall be filed on or before June 30 following a fiscal year in order to establish eligibility for reimbursement or loss of reimbursement for that fiscal year.” This redetermination request was filed on June 19, 2015, establishing a potential loss of reimbursement beginning July 1, 2013. However, the subsequent change in law identified was adopted on June 20, 2014, and as an urgency statute became effective immediately.<sup>36</sup> Therefore, the *Community College Construction* program no longer imposes a reimbursable state-mandated program as of June 20, 2014, the effective date of the subsequent change in law.

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<sup>32</sup> *City of Merced, supra*, 153 Cal.App.3d 777, 783; *Kern High School Dist., supra*, 30 Cal.4th 727, 742; *Department of Finance (POBRA), supra*, 170 Cal.App.4th 1355, 1365-1366.

<sup>33</sup> *Ibid.*

<sup>34</sup> Education Code section 75. *John Doe v. Albany Unified School District* (2010) 190 Cal.App.4th 668, 676 on statutory construction involving the terms “may” and “shall.”

<sup>35</sup> *Department of Finance (POBRA), supra*, 170 Cal.App.4th 1355, 1365-1366.

<sup>36</sup> California Constitution, article IV, section 8(c)(3); Government Code section 9600(b).

## **V. Conclusion**

Based on the foregoing, the Commission approves the request for a new test claim decision and concludes that the *Community College Construction*, 02-TC-27 program no longer imposes a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution as of June 20, 2014.

**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 December 4, 2015, I served the:

**First Hearing Decision, Second Hearing Draft Proposed Decision, Draft Expedited Amendment to Parameters and Guidelines, and Notice of Hearing**

Mandate Redetermination Request, 14-MR-03

First Hearing: Adequate Showing

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;

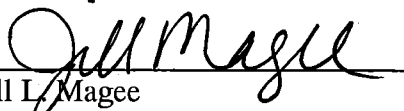
Statutes 1995, Chapter 758

As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

Department of Finance, Requester

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 December 4, 2015 at Sacramento, California.

  
Jill L. Magee  
Commission on State Mandates  
980 Ninth Street, Suite 300  
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# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 12/2/15

**Claim Number:** 14-MR-03

**Matter:** Community College Construction (02-TC-47)

**Requester:** Department of Finance

### 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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**COMMISSION ON STATE MANDATES**

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December 4, 2015

Mr. Chris Ferguson  
Department of Finance  
915 L Street, 7th Floor  
Sacramento, CA 95814

*And Parties, Interested Parties, and Interested Persons (See Mailing List)*

Re: **First Hearing Decision, Second Hearing Draft Proposed Decision, Draft Expedited Amendment to Parameters and Guidelines, and Notice of Hearing**  
Mandate Redetermination Request, 14-MR-03  
First Hearing: Adequate Showing  
*Community College Construction (02-TC-47)*  
Education Code Sections 81820, 81821(a), (b), (e), and (f)  
Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;  
Statutes 1995, Chapter 758  
As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)  
Department of Finance, Requester

Dear Mr. Ferguson:

On December 3, 2015 the Commission on State Mandates (Commission) adopted the decision on the adequate showing issue for the above-named matter and directed staff to notice a second hearing to determine whether to adopt a new test claim decision to supersede the previously adopted test claim decision. The adopted decision is enclosed. The draft proposed decision for the second hearing and the draft expedited amendment to parameters and guidelines are enclosed for your review and comment.

**Written Comments on Second Hearing Draft Proposed Decision**

Written comments may be filed on the draft proposed decision by **December 28, 2015**. The draft proposed decision is set for hearing on **January 22, 2016**.

**Written Comments on Draft Expedited Amendment to Parameters and Guidelines**

Staff has prepared a draft expedited amendment to parameters and guidelines for adoption at the January Commission hearing. The draft expedited amendment to parameters and guidelines is set for hearing on **January 22, 2016** and will only be taken up if the Commission first approves the request for redetermination.

Review of Draft Expedited Amendment to Parameters and Guidelines. Proposed comments may be filed on staff's draft proposal by **December 24, 2015**. (Cal. Code Regs., tit. 2, § 1183.9(b).)

Rebuttals. Written rebuttals may be submitted within 15 days of service of the comments. (Cal. Code Regs., tit. 2, § 1183.9(c).)

You are advised that comments filed with the Commission are required to be simultaneously served on the other interested parties on the mailing list, and to be accompanied by a proof of service. However, this requirement may also be satisfied by electronically filing your



Mr. Chris Ferguson  
December 4, 2015  
Page 2

documents. Please see <http://www.csm.ca.gov/dropbox.shtml> on the Commission's website for instructions on electronic filing. (Cal. Code Regs., tit. 2, § 1181.3.)

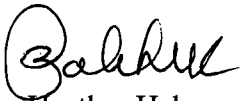
If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

### Hearing

The second hearing on the request for a mandate redetermination is set for **Friday, January 22, 2016**, at 10:00 a.m., State Capitol, Room 447, Sacramento, California. Additionally, the expedited amendment to the parameters and guidelines is also set for hearing on **Friday, January 22, 2016**, but will only be taken up if the Commission first approves the request for redetermination.

The proposed decision for the second hearing and amendment to the parameters and guidelines will be issued on or about January 8, 2016. Please let us know in advance if you or a representative of your agency will testify at the hearing, and if other witnesses will appear. If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the Commission's regulations.

Sincerely,

 FOR

Heather Halsey  
Executive Director

Amended: January 22, 2016

Adopted: March 23, 2012

J:\MANDATES\2002\tc\02-tc-47 (CCD Construct)\Ps&Gs\New TC Decision\Draft Expedited PGA.docx

## **DRAFT EXPEDITED AMENDMENT TO** **PARAMETERS AND GUIDELINES**

Education Code Sections 81820, 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910, Statutes 1981, Chapter 470, Statutes 1981, Chapter 891,  
Statutes 1995, Chapter 758;

*Community College Construction*  
**02-TC-47 (14-MR-03)**

As Modified by: Statutes 2014, Chapter 34 (SB 860)

Reimbursement for this Program Ends June 20, 2014

### **I. SUMMARY OF THE MANDATE**

On October 27, 2011, the Commission on State Mandates (Commission) adopted a statement of decision finding that the test claim statutes impose a partially reimbursable state-mandated program upon community college districts within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. The Commission approved this test claim for the following reimbursable activities, beginning July 1, 2001:

For community college districts to include in their five-year capital construction plans:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)<sup>1</sup>
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)
- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)

Community college districts are also eligible for reimbursement to continually review the information bulleted above and to report by February 1 of each year any required modifications or changes with respect to the information to the Board of Governors.

The Commission found that all other statutes and regulations in the test claim did not impose a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution.

---

<sup>1</sup> All references are to the Education Code unless otherwise indicated.

On January 22, 2016, the Commission approved a request for mandate redetermination filed by the Department of Finance and adopted a new test claim decision pursuant to Government Code section 17570, concluding that *Community College Construction*, 02-TC-47, no longer imposes a reimbursable state-mandated program within the meaning of article XIII B, section 6 of the California Constitution, beginning June 20, 2014. Specifically, requirements for the five-year plan for capital construction were amended by Statutes 2014, chapter 34, to authorize, but no longer require the following information that was formerly required by Education Code section 81821(a), (b), (e), and (f): plans for future student services programs, enrollment projections for each education center within the district, an annual inventory of land, and an estimate of district funds made available for capital outlay matching purposes. Thus, including this information in the plan is no longer mandated by the state.

Section 81820 was not amended by the 2014 statute, and continues to require that the five-year plan shall be subject to the continuing review by the governing board. However, since the content information in former Education Code section 81821(a), (b), (e), and (f), is no longer required to be included in the plan, any continual review of that information pursuant to Education Code section 81820 is permissive and not mandated by the state.

## **II. ELIGIBLE CLAIMANTS**

Any community college district as defined in Government Code section 17519, which incurs increased costs as a result of this mandate, is eligible to claim reimbursement.

## **III. PERIOD OF REIMBURSEMENT**

Government Code section 17570(f) provides that a request for adoption of a new test claim decision shall “be filed on or before June 30 following a fiscal year in order to establish eligibility for reimbursement or loss of reimbursement for that fiscal year.” The Department of Finance filed a request for mandate redetermination on June 19, 2015, establishing eligibility beginning July 1, 2013. However, the effective date of the subsequent change in law that modified the state’s liability is June 20, 2014 because Statutes 2014, chapter 34 (SB 860) was an urgency bill effective immediately on enactment.<sup>2</sup> Therefore, the activities in these parameters and guidelines are no longer reimbursable as of June 20, 2014, the effective date of the subsequent change in law.

Government Code section 17557(e) states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The Santa Monica Community College District filed the test claim on June 27, 2003, establishing eligibility for reimbursement on or after July 1, 2001. Therefore, costs incurred for the activities in these parameters and guidelines are reimbursable on or after July 1, 2001.

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

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.

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<sup>2</sup> California Constitution, article IV, section 8(c)(3); Government Code section 9600(b).

- ~~3. Pursuant to Government Code section 17560(a), a school district may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.~~
- ~~4. If revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(e), between November 15 and February 15, a school district filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Government Code section 17560(b).)~~
- ~~5. If the total costs for a given fiscal year do not exceed \$1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564.~~
- ~~6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.~~

#### **IV. REIMBURSABLE ACTIVITIES**

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

For each eligible claimant, the following activities are reimbursable:

Include the following information in the initial five-year plan for capital construction (for community college districts established on or after July 1, 2001), and continually review and report any required modifications or changes with respect to the following information in the subsequent annual update submitted to the Board of Governors by February 1 of each succeeding year:

- The plans of the district concerning its future student services programs, and the effect on estimated construction needs that may arise because of particular student services to be emphasized. (§ 81821(a).)
- The enrollment projections for each educational center within a community college district, made cooperatively by the Department of Finance and the district. (§ 81821(b).)

- An annual inventory of all land of the district using standard definitions, forms, and instructions adopted by the Board of Governors. (§ 81821(e).)
- An estimate of district funds which shall be made available for capital outlay matching purposes pursuant to regulations adopted by the Board of Governors. (§ 81821(f).)

## **V. CLAIM PREPARATION AND SUBMISSION**

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

### **A. Direct Cost Reporting**

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

#### **1. Salaries and Benefits**

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

#### **2. Materials and Supplies**

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

#### **3. Contracted Services**

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

#### **4. Fixed Assets**

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

#### **5. Travel**

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of

the local jurisdiction. Report employee travel time according to the rules of cost element A.1., Salaries and Benefits, for each applicable reimbursable activity.

#### **B. Indirect Cost Rate**

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

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

Community colleges have the option of using: (1) a federally approved rate, utilizing the cost accounting principles from the Office of Management and Budget Circular A-21, "Cost Principles of Educational Institutions"; (2) the rate calculated on State Controller's Form FAM-29C; or (3) a 7% indirect cost rate.

### **VI. RECORD RETENTION**

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter<sup>3</sup> is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

### **VII. OFFSETTING REVENUES AND REIMBURSEMENTS**

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

### **VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS**

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than ~~60~~90 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school

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<sup>3</sup> This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

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

#### **IX. REMEDIES BEFORE THE COMMISSION**

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

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

#### **X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES**

~~The statement of decisions on the test claim, mandate redetermination, parameters and guidelines and amendments thereto, are~~ is legally binding on all parties and provides the legal and factual basis for these parameters and guidelines. The support for the legal and factual findings is found in the administrative record ~~for the test claim~~. The administrative record, ~~including the Statement of Decision,~~ is on file with the Commission.

**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 December 4, 2015, I served the:

**First Hearing Decision, Second Hearing Draft Proposed Decision, Draft Expedited Amendment to Parameters and Guidelines, and Notice of Hearing**

Mandate Redetermination Request, 14-MR-03

First Hearing: Adequate Showing

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;

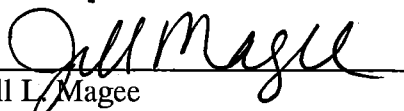
Statutes 1995, Chapter 758

As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

Department of Finance, Requester

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 December 4, 2015 at Sacramento, California.

  
Jill L. Magee  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562



# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 12/2/15

**Claim Number:** 14-MR-03

**Matter:** Community College Construction (02-TC-47)

**Requester:** Department of Finance

### 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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**Requester Representative**

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**RECEIVED**  
December 23, 2015  
**Commission on  
State Mandates**

**BETTY T. YEE**  
**California State Controller**  
Division of Accounting and Reporting

**Exhibit H**

December 23, 2015

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

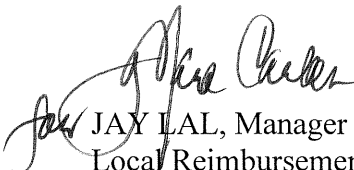
Re: First Hearing Decision, Second Hearing Draft Proposed Decision, Draft Expedited  
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Statutes 1995, Chapter 758  
As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)  
Department of Finance, Requester

Dear Ms. Halsey:

The State Controller's Office reviewed both the second hearing draft proposed decision and the draft expedited amendment to parameters and guidelines for the Community College Construction program and recommends no changes.

If you have any questions regarding the above, please contact Tam Nguyen by telephone at (916) 324-2341, or by email at [CNNguyen@sco.ca.gov](mailto:CNNguyen@sco.ca.gov).

Sincerely,



JAY LAL, Manager  
Local Reimbursements Section

**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 December 23, 2015, I served the:

**SCO Comments**

Mandate Redetermination Request, 14-MR-03

First Hearing: Adequate Showing

*Community College Construction (02-TC-47)*

Education Code Sections 81820, 81821(a), (b), (e), and (f)

Statutes 1980, Chapter 910; Statutes 1981, Chapter 470; Statutes 1981, Chapter 891;

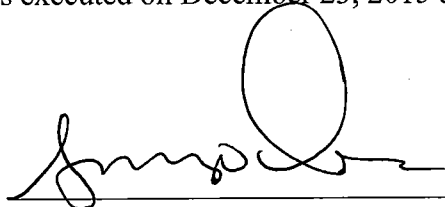
Statutes 1995, Chapter 758

As Alleged to be Modified by Statutes 2014, Chapter 34 (SB 860)

Department of Finance, Requester

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 December 23, 2015 at Sacramento, California.

A handwritten signature in black ink, appearing to read 'Lorenzo Duran', is written over a horizontal line.

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:** 12/9/15

**Claim Number:** 14-MR-03

**Matter:** Community College Construction (02-TC-47)

**Requester:** Department of Finance

### 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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## BILL ANALYSIS

SB 860  
Page 1

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( Without Reference to File )

## SENATE THIRD READING

SB 860 (Budget and Fiscal Review Committee)

As Amended June 12, 2014

Majority vote. Budget Bill Appropriation Takes Effect  
Immediately

SENATE VOTE : Vote not relevant

SUMMARY : Contains necessary statutory and technical changes to implement the Budget Act of 2014 relating to higher education. This bill makes the following statutory changes to implement the budget:

- 1) Delays by one year a reduction in the amount of the Cal Grant A and B awards for students attending private, non-profit colleges or accredited for-profit colleges. Students will receive \$9,084 for tuition expenses in 2014-15 fiscal year.
- 2) Modifies performance requirements for institutions participating in the Cal Grant program to require a graduation rate above 20% and a cohort default rate of less than 15.5% through the 2016-17 fiscal year.
- 3) Allows students who become ineligible for Cal Grant awards because they exceed the income cap in one year to become eligible again in a subsequent year if their income falls below the cap and they meet all other program eligibility requirements. The change would apply only to students who reapply no more than three academic years after receiving an initial award.
- 4) Makes several clarifying and technical changes to statute pertaining to the Middle Class Scholarship, including setting the minimum award for an eligible student and requiring applications to be submitted by March 2.
- 5) Codifies current regulatory requirements that each community college district maintain a student equity plan that includes the following for each community college in the district:
  - a) Campus based research as to the extent of student equity by gender and for students that are current or former

foster youth, disabled, low-income, veterans, or specific ethnic and racial categories.

- b) Goals for access to, and completion of, basic skills, career technical education and workforce training, and transfer courses for the overall student population and for each population group and a determination of what activities are most likely to effectively meet those goals.
- c) Measures for addressing disparities, as specified, including: a means of coordinating with, at a minimum, specific student equity-related categorical programs or campus based programs.
- d) Sources of funds for activities in the plan.
- e) A schedule and process for evaluation.
- f) An executive summary that includes, at a minimum, the student groups for whom goals have been set, the goals, the initiatives that the community college or district will undertake to achieve these goals, the resources that have been budgeted for that purpose, and specific contact information. Beginning in 2016-17, the summary shall also include a detailed accounting of how funding was expended and an assessment of the progress made in achieving the identified goals.

Requires the California Community College (CCC) Chancellor to allocate funds provided for the purposes of successfully implementing the activities and goals specified in the student equity plans consistent with: ensuring a community college district has submitted a student equity plan, ensuring that community college districts that serve greater populations of students who are high-need students or disadvantaged students receive greater resources for services, establishing criteria to determine the number of high-need and disadvantaged students in a district, and establishing a list of eligible and ineligible expenditures and activities.

- 6) Moves requirements for the CCC California Work Opportunity and Responsibility to Kids program, which have been included in annual budget acts, into statute.

- 7) Makes permissive a requirement that community colleges submit specified facilities information to the CCC Chancellor's office, thereby eliminating a reimbursable state mandate (this information will continue to be collected through the state's capital outlay process).
- 8) Pays down inter-year deferrals of funding for community colleges by appropriating a total of \$592.5 million of funds from fiscal years 2012-13, 2013-14, and 2014-15. In addition, for the month of June, defers \$94.5 million to July.
- 9) Specifies that, beginning in the 2015-16 fiscal year, career development and college preparation full-time equivalent students shall be funded at the same rate as the credit rate, as specified. The Legislative Analyst's Office is required to report by March 1, 2016, regarding the impact of this change.
- 10) Requires that the CCC Chancellor develop, and the board of governors adopt, a revised apportionment growth formula for use commencing with the 2015-16 fiscal year. Specifies that the formula shall support the primary missions of the segment, and be based on each community's need for access to the community colleges, as determined by local demographics. In developing the formula, the chancellor must consider multiple factors, including: a) The number of persons under the age of 25 without a college degree, within a community college district's boundaries, and the number of persons 25 to 64 years of age, without a college degree (the chancellor may alter these age ranges dependent on availability of data); and, b) the number of persons who are unemployed, have limited English skills, are in poverty, or exhibit other signs of being disadvantaged.
- In addition, specifies that the maximum amount of growth established by the chancellor shall be no less than 5% nor greater than 10% of a community college district's apportionment base for the preceding fiscal year.
- 11) Provides the San Francisco Community College District with additional funding, for the next three fiscal years, as the college works to restore student enrollment and maintain accreditation. For the 2014-15 fiscal year the district would receive funding equal to the amount it received in the 2013-14 fiscal year, with the amount of funding for the district being reduced by 5% and 10% in 2015-16 and 2016-17, respectively.

In order to receive the third year of funding, the district would be required to meet or exceed benchmarks related to fiscal management and controls, as specified.

- 12) Adjusts the method for scoring local property tax revenues in the 2013-14, 2014-15, and 2015-16 fiscal years, that formerly flowed to redevelopment agencies and now flow to the colleges as an offset to CCC apportionments, by scoring revenues received late in the fiscal year, after April 15, as having been received in the next fiscal year. This will provide the colleges with more certainty as they develop and administer their budgets.
- 13) Requires the CCC Chancellor, in coordination with community college stakeholder groups, the appropriate fiscal and policy committees of the Legislature, and the Department of Finance (DOF), to develop a framework of indicators designed to measure the ongoing condition of a community college's operational environment in the following areas: a) accreditation statutes; b) fiscal viability; c) student performance and outcomes; and d) programmatic compliance with state and federal guidelines. Requires that each community college develop, adopt, and publicly post a goals framework that addresses at least of the areas specified above. Before the commencement of the 2015-16 fiscal year, and annually thereafter, requires the chancellor to publicly post the statewide goals and locally developed and adopted community college or district goals and targets. The chancellor shall assess the degree to which each community college district is improving its outcomes and offer technical assistance to community college districts that are not improving.
- 14) Extends the sunset, from June 30, 2014, to December 31, 2015, on the additional time a person serving as temporary full-time clinical nursing faculty or as a part-time clinical nursing faculty may be employed by a community college district. Under this extension, a person serving as a full-time clinical nursing faculty or as a part-time clinical nursing faculty may be employed by a community college district for up to four semesters or six quarters within any period of three consecutive academic years, which is twice the statutory limit for all other temporary faculty.
- 15) Makes technical and clarifying changes to statutory

requirements for annual reporting on system-wide performance measures by the University of California (UC) and California State University (CSU).

- 16) Prohibits a CSU campus, or the chancellor, from approving a student success fee before January 1, 2016, and requires the chancellor to conduct a review of the CSU student fee policy, as specified. Requires the chancellor to report to the DOF and the appropriate fiscal and policy committees of the Legislature, on February 1, 2015, regarding proposed revisions to the CSU student fee policy related to student success fees.
- 17) Provides the CSU with the authority to pledge up to 12% of the state funds provided in its General Fund support budget, less general obligation debt payments and lease payments, towards capital outlay, lease-revenue bond debt financed and pay as you go, inclusive. Further, provides the CSU with the authority to pursue capital outlay projects, after approval by DOF and review by the committees in each house of the Legislature that consider the state budget, and the budget subcommittees in each house of the Legislature that consider appropriations for the CSU.
- 18) Makes technical and clarifying changes to the UC capital outlay process, moves language regarding energy conservation projects that had been included in provisional budget language into statute, and creates one process to authorize UC energy conservation projects instead of two.
- 19) Requests the UC Regents to establish the California Blueprint for Research to Advance Innovations in Neuroscience program to leverage California's vast research assets and federal funding opportunities to accelerate the development of brain mapping techniques, including the development of new technologies, in order to achieve the following goals: a) maintain California's leadership role in neuroscience innovation; b) develop a dynamic map of the human brain, as specified; c) grow California's economy through the expansion of high technology and biotechnology sectors; and, d) train the next generation of scientists.
- 20) Provides the UC with authority to begin the Tolman Hall Seismic Replacement Building project on the UC Berkeley campus.



- 21) Authorizes the use of \$6 million in excess Student Loan Authority funds (remaining after the recently-approved sale of the Cal Loan program portfolio by the California Educational Facilities Authority) as an offset to the General Fund cost of Student Aid Commission loan assumption program costs.
- 22) Extends the sunset date, to January 1, 2020, for authority to use a portion (\$65) of certain appellate court civil filing fee revenue to support the California State Law Library.
- 23) Authorizes the State Fire Marshal to delegate enforcement of building standards on CSU campuses to the CSU. Authorizes the CSU to use one contract for multiple projects at multiple campuses, and to provide public notice of contract bids on its Internet Web site.
- 24) Authorizes adjustments to Proposition 98 of 1998 General Fund spending in whatever amounts are necessary to maintain budgeted funding levels for community colleges, if Proposition 30 of 2012 revenue estimates for 2012-13, 2013-14, or 2014-15 fiscal years are higher or lower than actual receipts.
- 25) Reappropriates the balance of Item 6870-139-8080 of Section 2.00 of the Budget Act of 2013, payable from the Clean Energy Job Creation Fund and extends the ability to encumber this balance until June 30, 2018.
- 26) Declares that statutory changes contained in this bill, including appropriations, are consistent with the 2014 budget package.

Analysis Prepared by : Mark Martin / BUDGET / (916) 319-2099

FN:  
0003956

BILL NUMBER: SB 860      CHAPTERED  
BILL TEXT

CHAPTER 34  
FILED WITH SECRETARY OF STATE JUNE 20, 2014  
APPROVED BY GOVERNOR JUNE 20, 2014  
PASSED THE SENATE JUNE 15, 2014  
PASSED THE ASSEMBLY JUNE 15, 2014  
AMENDED IN ASSEMBLY JUNE 12, 2014

INTRODUCED BY Committee on Budget and Fiscal Review

JANUARY 9, 2014

An act to amend Sections 69432, 69432.7, 69433.6, 70022, 70023, 79200, 81821, 84321.6, 84750.5, 84751, 87482, 89295, 92493, 92494, 92495, 92495.5, and 92675 of, to amend the heading of Article 5 (commencing with Section 79200) of Chapter 9 of Part 48 of Division 7 of Title 3 of, to add Sections 79204, 79205, 79206, 79207, 79208, 79209, 84750.6, 84754.6, 89712, 90083, 92495.6, and 94102.1 to, to add Article 1.5 (commencing with Section 78220) to Chapter 2 of Part 48 of Division 7 of Title 3 of, to add Article 5 (commencing with Section 89770) to Chapter 6 of Part 55 of Division 8 of Title 3 of, and to add Chapter 15 (commencing with Section 92985) to Part 57 of Division 9 of Title 3 of, the Education Code, to amend Sections 17581.7 and 68926.3 of the Government Code, to amend Section 13146 of the Health and Safety Code, and to amend Sections 10726 and 10742 of the Public Contract Code, relating to postsecondary education, and making an appropriation therefor, to take effect immediately, bill related to the budget.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 860, Committee on Budget and Fiscal Review. Education finance: education omnibus trailer bill.

(1) Existing law, the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program, establishes the Cal Grant A and B Entitlement Awards, the California Community College Transfer Cal Grant Entitlement Awards, the Competitive Cal Grant A and B Awards, the Cal Grant C Awards, and the Cal Grant T Awards under the administration of the Student Aid Commission, and establishes eligibility requirements for awards under these programs for participating students attending qualifying institutions. Existing law provides that a qualifying institution with a graduation rate of 30% or less for students taking 150% or less of the expected time to complete degree requirements is ineligible for initial and renewal Cal Grant awards, unless the institution has a 3-year cohort default rate that is less than 10% and a graduation rate above 20% for students taking 150% or less of the expected time to complete degree requirements. Existing law sets the maximum Cal Grant A and B awards for new recipients attending private nonprofit postsecondary education institutions at \$8,056 for the 2014-15 award year and each award year thereafter.

This bill would specify eligibility criteria that, commencing with the 2014-15 academic year, would apply to Cal Grant award recipients

who were determined to be ineligible for a renewal award because they exceeded the maximum household income or asset level, or failed to meet the minimum need threshold, as specified, but who subsequently meet eligibility requirements for a Cal Grant award. The bill would also increase from 10% to 15.5% the maximum allowable 3-year cohort default rate for an institution with a 20% to 30% graduation rate for students taking no more than 150% of the expected time to complete degree requirements to be eligible for Cal Grant awards. The bill would increase the maximum Cal Grant A and B awards for new recipients attending a private nonprofit postsecondary institution, for the 2014-15 award year only, to \$9,084.

(2) Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. Existing law establishes the Middle Class Scholarship Program under the administration of the Student Aid Commission. The program provides that, subject to an available and sufficient appropriation, commencing with the 2014-15 academic year, an undergraduate student enrolled at the University of California or the California State University is eligible for a scholarship award that, combined with other publicly funded student financial aid, is up to 40% of the amount charged to that student for mandatory systemwide tuition in that fiscal year if the student meets the following conditions: has an annual household income that does not exceed \$150,000; satisfies specified requirements for a Cal Grant award; is a resident of this state or exempt from paying nonresident tuition; files specified financial aid forms; makes timely application or applications for publicly funded student financial aid, as defined, for which he or she is eligible; and maintains at least a 2.0 grade point average.

This bill would, among other things, specify that the scholarship award under the Middle Class Scholarship Program, combined with other federal, state, and institutionally administered grants and fee waivers, would be for up to 40% of the systemwide tuition and fees. The bill would require a recipient to be enrolled at least part-time and would require the recipient to be pursuing his or her first undergraduate baccalaureate degree, unless he or she is enrolled in a specified professional teacher preparation program. The bill would also provide that the minimum scholarship amount for any full-time student who qualifies for a scholarship award of \$1 is \$90, and would prohibit discrimination against part-time students in the selection of award recipients.

(3) Existing law establishes the California Community Colleges, under the administration of the Board of Governors of the California Community Colleges, as one of the segments of public postsecondary education in this state. Existing law authorizes the establishment of community college districts under the administration of community college governing boards, and authorizes these districts to provide instruction at community college campuses throughout the state. Existing law requires the governing board of each community college district to prepare and submit to the Board of Governors of the California Community Colleges a plan for capital construction for community college purposes of the district, as specified. Existing law requires a 5-year plan for capital construction to set out the estimated capital construction needs of the district with reference to specified elements, including enrollment projections for each community college district, formulated by the Department of Finance

with the cooperation of each community college district.

This bill would make reference to certain of these specified elements optional, requiring reference only to elements relating to the current enrollment capacity of the district and the district office, library, and supporting facility capacities. The bill would also provide that enrollment projections, if used, would instead be formulated with the cooperation of the Chancellor of the California Community Colleges.

(4) Existing law requires the Board of Governors of the California Community Colleges to adopt regulations providing for the payment of apportionments to community college districts on a specified schedule that includes a first principal apportionment to be certified on or before February 20 of each year, and a 2nd principal apportionment to be certified on or before June 25 of each year. Existing law defers the drawing of those warrants, as specified. Existing law appropriates \$592,456,000 from the General Fund to the board of governors, for expenditure during the 2014-15 fiscal year, in satisfaction of specified moneys whose payment to the California Community Colleges has been deferred.

This bill would, for purposes of calculations required by the California Constitution, instead provide that \$138,602,000, \$296,354,000, and \$157,500,000 of the \$592,456,000 appropriated to the Board of Governors of the California Community Colleges for the 2014-15 fiscal year in satisfaction of deferred payments shall be deemed General Fund revenues and included in the total allocations to school districts and community college districts for the 2012-13, 2013-14, and 2014-15 fiscal years, respectively, as specified. This bill would also provide for the deferral of \$94,465,000 from June 2015 to July 2015, and would appropriate money in July 2015 to pay for that deferred amount, which would be deemed General Fund revenues and included in the total allocations to school districts and community college districts for the 2015-16 fiscal year.

(5) Existing law provides for the California Work Opportunity and Responsibility to Kids (CalWORKs) program under which each county provides cash assistance and other benefits to qualified low-income families and individuals. Existing law requires that, to the extent that funding is provided in the annual Budget Act, a community college shall receive funding for educational services provided to CalWORKs recipients based on the number of CalWORKs recipients that are enrolled at the community college and the scope and number of programs that the college plans to offer to assist CalWORKs recipients to obtain employment. Existing law also requires that, prior to receiving funding, a community college shall submit to the chancellor a Request for Application that contains a plan for curriculum development or redesign, including participation by the county welfare department to establish that the programs being developed or redesigned will provide CalWORKs recipients with the training and experience necessary to secure employment. Existing law also provides that, to the extent that funding is provided in the annual Budget Act, funds received by a community college for curriculum development or redesign for CalWORKs recipients may be expended for various purposes, including the development or redesign of vocational curricula for CalWORKs recipients so that courses may be offered as part of a short-term intensive program, including Open Entry and Open Exit programs.

This bill would state that a community college district shall receive funding for providing specified additional services to

current and, under certain conditions, certain prior CalWORKs recipients, including job placement, coordination with county welfare offices and other local agencies, child care and workstudy, instruction, postemployment skills training and related skills training, and case management, as specified. The bill would require the Chancellor of the California Community Colleges to develop an equitable method for allocating funds under these provisions to all community college districts, and to compile a report on the program annually from specified information required to be provided by the community college districts and colleges. By requiring certain actions by community college districts, this bill would impose a state-mandated local program.

(6) Existing law provides, in calculating each community college district's revenue level each fiscal year, that the Board of Governors of the California Community Colleges shall subtract, from the total revenues owed, certain amounts, including certain amounts received pursuant to certain provisions of existing law relating to redevelopment that, for purposes of community college revenue levels, are considered to be from property tax revenues.

This bill would, notwithstanding the required reduction, provide that specified revenues received after April 15, 2014, April 15, 2015, and April 15, 2016, shall be counted as revenues received in the 2014-15, 2015-16, and 2016-17 fiscal years, respectively.

(7) Existing law requires the Board of Governors of the California Community Colleges to develop criteria and standards, in accordance with specified statewide minimum requirements, for the purposes of making the annual budget request for the California Community Colleges to the Governor and the Legislature, and allocating state general apportionment revenues. Those statewide minimum requirements include, among other things, a requirement that the calculations of each community college district's revenue level for each fiscal year be based on specified criteria, with revenue adjustments being made for increases or decreases in full-time equivalent students and for other specified purposes.

This bill would require the Chancellor of the California Community Colleges to develop, and the board of governors to adopt, a revised apportionment growth formula for use commencing with the 2015-16 fiscal year. The bill would provide that the revised formula shall support the primary missions of the segment, and shall be based on certain factors, as specified, and would require the chancellor, on or before October 15, 2015, and each year thereafter, to report to the Legislature on certain matters related to the revised apportionment growth formula. The bill would, notwithstanding certain apportionment-related provisions for the 2014-15 and 2015-16 fiscal years, require the board of governors to provide the San Francisco Community College District with revenues, as specified, if, on the effective date of this bill, the board of governors finds that the community college district or a campus of the community college district is in imminent jeopardy of losing its accreditation, the board of governors has exercised its authority pursuant to specified provisions, and the institution is in compliance with a regulation requiring it to be accredited by a specified agency. The bill would require the board of governors to additionally provide the San Francisco Community College District with revenues for the 2016-17 fiscal year under the same conditions applicable to the 2014-15 and 2015-16 fiscal years, but only if the Fiscal Crisis Management Assistance Team makes a finding no sooner than April 1, 2016, that

the San Francisco Community College District is meeting or exceeding specified fiscal benchmarks.

This bill would, among other things, require the chancellor, in coordination with community college districts, to approve and publicly post annual segmentwide and community college district goals, and would require the chancellor, in coordination with stakeholders, specified committees of the Legislature, and the Department of Finance, to develop, and the board of governors to adopt, a framework of indicators designed to measure and assess the ongoing condition of a community college's operational environment in specified areas. The bill would, subject to the availability of funding in the annual Budget Act, require the board of governors and the chancellor to assess the degree to which each community college district is improving, as provided.

(8) Existing law, the Seymour-Campbell Student Success Act of 2012, provides that the purpose of the act is to increase California community college student access and success by providing effective core matriculation services of orientation, assessment and placement, counseling, and other education planning services, and academic interventions. The act specifies the responsibilities of students and institutions in entering into the matriculation process, and requires the Board of Governors of the California Community Colleges to develop a formula for allocating funding for the Student Success and Support Program that would be implemented under the act.

This bill would require, as a condition for receiving Student Success and Support Program funding, that the governing board of each community college district maintain a student equity plan, as specified, and would require the chancellor to make an annual report related to those plans. By adding to the duties of community college districts, the bill would impose a state-mandated local program.

(9) Existing law establishes the California State University, under the administration of the Trustees of the California State University, and the University of California, administered by the Regents of the University of California, as 2 of the segments of public postsecondary education in the state. Existing law authorizes the California State University and the University of California to each issue revenue bonds, secured by a specified pledge of revenues. Existing law authorizes the University of California to pledge its annual General Fund support appropriation, less certain amounts, to secure the payment of its general revenue bonds or commercial paper associated with the general revenue bond program. Existing law authorizes the University of California to fund debt service for capital expenditures, as defined, from its General Fund support appropriation, as specified. Existing law also authorizes the University of California to fund pay-as-you-go capital outlay projects from its General Fund support appropriation, as specified. Existing law, for purposes of these provisions, requires the University of California to obtain approval from the Department of Finance pursuant to specified procedures.

This bill would authorize the California State University to pledge its annual General Fund support appropriation, less certain amounts, to secure the payment of its debt obligations issued by the Trustees pursuant to the State University Revenue Bond Act of 1947. The bill would authorize the California State University to fund debt service for capital expenditures, as defined, from its General Fund support appropriation, as specified. The bill would authorize the California State University to secure bonds for capital expenditures

and certain projects with revenues received in accordance with these provisions, as specified. The bill would provide that "capital expenditures" and "capital outlay projects" shall include the cost to design, construct, or equip energy conservation projects. The bill would also authorize the California State University to fund pay-as-you-go capital outlay projects from its General Fund support appropriation, as specified. The bill would, for purposes of these provisions, provide procedures for the California State University to, and would revise the procedures for the University of California to, obtain approval from the Department of Finance, as specified.

(10) Existing law requires the California State University and the University of California to report, by March 1 of each year, on specified performance measures, including various calculations of graduation rates and amounts spent per degree, for the preceding academic year.

This bill would revise those provisions to, among other things, extend the due date for the report to March 15, add a 4-year transfer graduation rate as a performance measure for the California State University, and limit transfer student performance measures to transfer students from the California Community Colleges.

(11) Notwithstanding existing law that imposes greater limits on temporary employment of faculty, existing law provides that a person serving as full-time clinical nursing faculty or as part-time clinical nursing faculty may be employed by any one district for up to 4 semesters or 6 quarters within any period of 3 consecutive academic years between July 1, 2007, to June 30, 2014, inclusive.

This bill would extend that authorization to December 31, 2015.

(12) Existing law authorizes the trustees by rule to require all persons to pay fees, rents, deposits, and charges for services, facilities, or materials provided by the trustees to those persons. Existing law prohibits specified California State University campus-based mandatory fees from being reallocated without an affirmative vote of the majority of the members of either the student body or a specified campus fee advisory committee voting on the fee reallocation, unless the vote that established the fee authorizes an alternative or automatic reallocation mechanism for that fee.

This bill would prohibit a campus or the Chancellor of the California State University from approving a student success fee, as defined, before January 1, 2016. This bill would require the chancellor to conduct a review of the trustees' fee policy related to student success fees, submit recommended changes to the fee policy to the trustees, consider specified information in conducting that review and in preparing his or her recommended changes to the policy, and submit a report regarding those proposed changes to the Department of Finance and the appropriate fiscal and policy committees of the Legislature, on or before February 1, 2015.

(13) Existing law establishes various health research grant programs, including the Cancer Research Program, the Breast Cancer Research Program, and the Spinal Cord Injury Research Program.

This bill would enact the California Blueprint for Research to Advance Innovations in Neuroscience (Cal-BRAIN) Act of 2014, and would request the Regents of the University of California to establish the Cal-BRAIN program to leverage California's research assets and the federal BRAIN Initiative's funding opportunities to accelerate the development of brain mapping techniques, including the development of new technologies, in order to achieve certain goals. The bill would additionally request the University of California to

convene certain stakeholders to develop a governing structure for the Cal-BRAIN program designed to do specified tasks and to provide information about the program through an Internet Web site. These provisions would only be implemented to the extent that adequate funding is appropriated to the University of California, as specified.

(14) Existing law, the California Educational Facilities Authority Act, authorizes the California Educational Facilities Authority to, among other things, hold or invest in student loans, create pools of student loans, and sell bonds bearing interest on a taxable or tax-exempt basis or other interests backed by the pools of student loans. Existing law, for purposes of the act, defines "student loan" as a loan having terms and conditions acceptable to the authority that is made to finance or refinance the costs of attendance at a private college or public college and that is approved by the authority, if the loan is originated pursuant to a program that is approved by the authority. Existing law establishes the Assumption Program of Loans for Education, administered by the Student Aid Commission, under which any person enrolled in an eligible institution of postsecondary education or any person who agrees to participate in a teacher trainee or teacher internship program, is eligible to enter into an agreement for loan assumption, as specified.

This bill would, for purposes of the California Educational Facilities Authority Act, provide that "student loan" may also mean a loan assumption pursuant to the Assumption Program of Loans for Education.

(15) Under the California Constitution, whenever the Legislature or a state agency mandates a new program or higher level of service on any local government, including a school district and a community college district, the state is required to provide a subvention of funds to reimburse the local government, with specified exceptions. Existing law makes certain funds appropriated in the annual Budget Act for reimbursement of the cost of a new program or increased level of service of an existing program mandated by statute or executive order available as a block grant to school districts, charter schools, county offices of education, and community college districts, to support specified state-mandated local programs. Existing law provides that a school district, charter school, county office of education, or community college district that submits a letter of intent to the Superintendent of Public Instruction or the Chancellor of the California Community Colleges, as appropriate, and receives this block grant funding is not eligible to submit a claim for reimbursement for those specified mandated programs for the fiscal year for which the block grant funding is received.

This bill would revise the list of programs that are authorized for block grant funding in lieu of program-specific reimbursement.

(16) Existing law imposes a filing fee of \$605 to file a notice of appeal in a civil case. Existing law requires, until January 1, 2015, that \$65 of this fee be deposited into the California State Law Library Special Account for the support of the California State Law Library.

This bill would extend the operation of these provisions until January 1, 2020.

(17) Existing law allocates responsibility for enforcement of building standards adopted by the State Fire Marshal and published in the California Building Standards Code relating to fire and panic



safety and other regulations of the State Fire Marshal, as provided. Existing law provides that the State Fire Marshal shall enforce the building standards and other regulations of the State Fire Marshal on all University of California campuses and properties administered or occupied by the University of California, and, for each university campus or property, authorizes the State Fire Marshal to delegate that responsibility to a person of his or her choice.

This bill would also require the State Fire Marshal to enforce the building standards and other regulations of the State Fire Marshal on all California State University campuses and properties administered or occupied by the California State University.

(18) Existing law authorizes the Trustees of the California State University to receive bids for the construction of several public works projects at one campus of the California State University as a single project. Existing law requires, when it appears that the estimated contract price will exceed \$15,000, that public notice to bidders be given by publication, as specified.

This bill would delete the one-campus restriction on taking bids for several public works as a single project. The bill would also authorize notice by publication electronically on the California State University's Internet Web site.

(19) Item 6870-139-8080 of the Budget Act of 2013, as added by Chapter 20 of the Statutes of 2013, appropriated \$47,000,000 to the Board of Governors of the California Community Colleges for local assistance, payable from the Clean Energy Job Creation Fund.

This bill would reappropriate the balances of those amounts to the board of governors, for the same purposes, and would provide that those funds would be available for encumbrance until June 30, 2018.

(20) This bill would require amounts to be determined by the Director of Finance to be appropriated, on or before June 30, 2015, from the General Fund to the Board of Governors of the California Community Colleges in the event that specified revenues distributed to community colleges are less than estimated amounts reflected in the Budget Act of 2014.

(21) This bill would require amounts to be determined by the Director of Finance to be appropriated, on or before June 30, 2015, from the General Fund to the Board of Governors of the California Community Colleges in augmentation of a certain schedule of an item of the Budget Acts of 2012 and 2013, and would require these funds to only be available for revenues distributed to a net excess tax community college district, as determined by the Director of Finance.

(22) This bill would authorize the University of California to use General Fund appropriations made pursuant to specified sections of the Education Code for the Tolman Hall Seismic Replacement Building project at the University of California, Berkeley, campus, as described.

(23) This bill would make conforming changes, delete obsolete provisions, correct cross-references, and make other nonsubstantive changes.

(24) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these

statutory provisions.

(25) Funds appropriated by this bill would be applied toward the minimum funding requirements for school districts and community college districts

imposed by Section 8 of Article XVI of the California Constitution.

(26) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 69432 of the Education Code is amended to read:

69432. (a) Cal Grant Program awards shall be known as "Cal Grant A Entitlement Awards," "Cal Grant B Entitlement Awards," "California Community College Transfer Entitlement Awards," "Competitive Cal Grant A and B Awards," "Cal Grant C Awards," and "Cal Grant T Awards."

(b) Maximum award amounts for students at independent institutions and for Cal Grant C and T awards shall be identified in the annual Budget Act. Maximum award amounts for Cal Grant A and B awards for students attending public institutions shall be referenced in the annual Budget Act.

(c) (1) Notwithstanding subdivision (b), and subdivision (c) of Section 66021.2, commencing with the 2013-14 award year, the maximum tuition award amounts for Cal Grant A and B awards for students attending private for-profit and nonprofit postsecondary educational institutions shall be as follows:

(A) Four thousand dollars (\$4,000) for new recipients attending private for-profit postsecondary educational institutions.

(B) For the 2014-15 award year, nine thousand eighty-four dollars (\$9,084) for new recipients attending private nonprofit postsecondary educational institutions. For the 2015-16 award year and each award year thereafter, eight thousand fifty-six dollars (\$8,056) for new recipients attending private nonprofit postsecondary educational institutions.

(2) The renewal award amount for a student whose initial award is subject to a maximum award amount specified in this subdivision shall be calculated pursuant to paragraph (2) of subdivision (a) of Section 69433.

(3) Notwithstanding subparagraph (A) of paragraph (1), new recipients attending private for-profit postsecondary educational institutions that are accredited by the Western Association of Schools and Colleges as of July 1, 2012, shall have the same maximum tuition award amounts as are set forth in subparagraph (B) of paragraph (1).

SEC. 2. Section 69432.7 of the Education Code is amended to read:

69432.7. As used in this chapter, the following terms have the following meanings:

(a) An "academic year" is July 1 to June 30, inclusive. The starting date of a session shall determine the academic year in which it is included.

(b) "Access costs" means living expenses and expenses for transportation, supplies, and books.

(c) "Award year" means one academic year, or the equivalent, of attendance at a qualifying institution.

SEC. 15. Section 81821 of the Education Code is amended to read:

81821. (a) The five-year plan for capital construction shall set out the estimated capital construction needs of the district with reference to at least both of the following elements:

(1) The current enrollment capacity of the district expressed in terms of weekly student contact hours and based upon the space and utilization standards for community college classrooms and laboratories adopted by the board of governors.

(2) District office, library, and supporting facility capacities as derived from the physical plant standards for office, library, and supporting facilities adopted by the board of governors.

(b) The five-year plan for capital construction may also set out the estimated capital construction needs of the district with reference to other elements, including, but not limited to:

(1) The plans of the district concerning its future academic and student services programs, and the effect on estimated construction needs that may arise because of particular courses of instruction or subject matter areas or student services to be emphasized.

(2) The enrollment projections for each district formulated by the Department of Finance, expressed in terms of weekly student contact hours. The enrollment projections for each individual college and educational center within a district shall be made cooperatively by the Department of Finance and the Chancellor of the California Community Colleges.

(3) An annual inventory of all facilities and land of the district using standard definitions, forms, and instructions adopted by the board of governors.

(4) An estimate of district funds that shall be made available for capital outlay matching purposes pursuant to regulations adopted by the board of governors.