

TITLE 2. ADMINISTRATION  
DIVISION 2. FINANCIAL OPERATIONS  
CHAPTER 2.5. COMMISSION ON STATE MANDATES

**NOTICE OF PROPOSED RULEMAKING**

The Commission on State Mandates (Commission) proposes to adopt the regulations described below after considering all comments, objections, and recommendations regarding the proposed action.

**PUBLIC HEARING**

The Commission has not scheduled a public hearing for this proposed action. However, if it receives a written request for a public hearing from any interested person or his or her authorized representative no later than 15 days before the close of the written comment period, the Commission will conduct a public hearing on this proposed action on July 28, 2017, and will notify all persons of the date, time, and location of the hearing pursuant to Government Code section 11346.8(a).

**WRITTEN COMMENT PERIOD**

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to the Commission. The written comment period closes at **5:00 p.m. on July 24, 2017**. The Commission will consider only comments received at the Commission offices by that time. Submit comments to:

Jill Magee, Program Analyst  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

Written comments may be submitted electronically via the Commission website "Drop Box" at <http://www.csm.ca.gov/dropbox.php>

**AUTHORITY AND REFERENCE**

Government Code section 17527(g), authorizes the Commission to adopt the proposed regulations. Reference citations: Government Code sections 11123, 11346.4, 11347, 11347.1, and 17500 et seq.

**INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW**

The Commission is a seven-member quasi-judicial body authorized to resolve disputes regarding the existence of state-mandated local programs (Gov. Code, § 17500 et seq.) and to hear matters involving applications for a finding of significant financial distress (Welf. & Inst. Code, § 17000.6). The purpose of this rulemaking is to: (1) clarify and streamline Commission regulations; (2) update language for consistency; (3) clarify the definition of interested person; (4) clarify the certification and signature requirements for documents filed with the Commission; (5) clarify the requirements to e-file documents in a searchable PDF format and include an original signature; (6) clarify the period of limitation for filing a test claim consistent with the statutory scheme; (7) clarify the requirement for a single claimant representative for joint test claim filings; (8) clarify the requirements for filing a proposed amendment to parameters and guidelines consistent with changes to the Government Code; (9) clarify evidence submission

requirements; (10) clarify that the same certification and filing requirements apply to all new filings and written materials; (11) update authority and reference citations; and (12) update punctuation for consistency throughout the regulations.

Therefore, the Commission proposes revised language and citations in Articles 1, 2, 3, 4, 5, 6, 7, 8, and 10 of the California Code of Regulations, Division 2, Title 2, Chapter 2.5 with a proposed effective date of January 1, 2018.

#### Anticipated Benefits of the Proposed Regulation

The specific benefits anticipated from the regulation are increased clarity for local governments, school districts, state agencies, and interested parties/persons participating in the Commission's processes and to increase the speed of hearing and deciding matters filed with the Commission.

#### Consistency and Compatibility with Existing State Regulations

After conducting a review of existing regulations, the Commission has concluded that California Code of Regulations, title 2, sections 1181.1 et seq., are the only regulations concerning the Commission's process. Therefore, the proposed regulations are consistent and compatible with existing state regulations.

### **DESCRIPTION OF PROPOSED REGULATIONS**

#### **I. Clarification of the Definition of Interested Person**

##### Section 1181.2. Definitions.

The proposed amendment clarifies the definition of an “interested person” who may participate in Commission proceedings to mean any individual, local agency, school district, state agency, corporation, partnership, association, or other type of entity, who has an interest in a matter before the Commission, but is not a party or interested party with respect to that matter.

#### **II. Clarification of Certification Requirement for New Filings and Written Materials and Submission Requirement that PDFs Include an Original Signature and Remain Searchable**

##### Section 1181.3. Filing and Service of Written Materials and New Filings.

The proposed amendment makes clear what is already stated throughout the Commission’s regulations: that all new filings or other written materials must be signed, under penalty of perjury, and with a declaration that the filing is true and correct to the best of the declarant’s personal knowledge, information, or belief. The proposed amendment also requires the filing to include the date, the declarant’s title, address, telephone number, and email address.

In addition, the proposed amendment clarifies how to submit electronic documents with a signature while maintaining the searchability of the document. Electronic signatures interfere with date stamping and do not allow for addition of proofs of service or mailing lists, which Commission staff appends before electronically serving the document. The proposed amendment requires an electronic filer to submit a searchable original PDF document (not a scanned document), along with a scanned signature page (rather than an electronically signed signature page).

Finally, the title of the section is updated to reflect the changes described above.

### **III. Filing Period Requirements for Test Claims**

#### Section 1183.1. Test Claim Filing.

The regulation provides the requirements for test claim filing, including the period of limitation within which a successful test claim must be filed in accordance with Government Code section 17551(c). Government Code section 17551(c) states that “Local agency or school district test claims shall be filed not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later.” The existing regulation, however, confuses the period of limitation for filing test claims with the period of reimbursement identified in parameters and guidelines for approved test claims by stating that “For purposes of claiming based on the date of first incurring costs, ‘within 12 months’ means by June 30 of the fiscal year following the fiscal year in which increased costs were first incurred by the test claimant.”

The proposed amendment applies a clear, predictable, and precise one year period of limitation to the filing of all test claims, whether based on the effective date of the test claim statute or executive order or the date that costs were first incurred under the test claim statute or executive order. This amendment deletes the sentence that states “For purposes of claiming based on the date of first incurring costs, ‘within 12 months’ means by June 30 of the fiscal year following the fiscal year in which increased costs were first incurred by the test claimant,” and makes the time for filing test claims under section 1183.1 consistent with Government Code section 17551(c), by adding the words “(365 days)” after the words “must be filed not later than 12 months” following the effective date of a statute or executive order, and adding the words “(365 days)” after the words “or within 12 months” of first incurring increased costs as a result of a statute or executive order, whichever is later.

### **IV. Joint Test Claim Single Representative Requirement**

#### Section 1183.1. Test Claim Filing.

Test claims may be prepared as a joint effort between two or more claimants, under specified circumstances. The proposed amendment clarifies the requirement that joint claimants must designate one person to act as the sole representative for all claimants on the test claim.

### **V. Requirement for Use of Audited Claim Data in Amending Parameters and Guidelines to Include Reasonable Reimbursement Methodology**

#### Section 1183.17. Amendments to Parameters and Guidelines.

The proposed amendment harmonizes the regulation with changes made to Government Code section 17518.5, which defines “reasonable reimbursement methodology.” As amended by Statutes 2016, chapter 31, section 17518.5 provides that where a reasonable reimbursement methodology is, in whole or in part, based on costs included in claims submitted to the Controller, only those cost claims that have been audited may be relied upon. The proposed amendment recognizes that these provisions would only arise in the case of an *amendment* to parameters and guidelines, because initial parameters and guidelines proposals including a reasonable reimbursement methodology could not be based on cost claims submitted to the Controller; cost claims cannot be submitted until after the adoption of initial parameters and guidelines and the issuance of claiming instructions by the Controller. The regulations therefore include the new requirements of section 17518.5 only in section 1183.17 of the regulations dealing with amendments to parameters and guidelines, and not in section 1183.12, addressing

the adoption of new parameters and guidelines following a test claim decision. Additionally, the provision requiring a statement that the proposal is based on cost claims submitted to the Controller for reimbursement is necessary to effectuate the requirement in section 17518.5(e)(2-3) that the Commission notify the Controller within 30 days of an amendment request that relies on cost claims, so that the Controller, in turn, may select and audit a representative sample of the claimed costs within 360 days.

## **VI. Filing and Service of All Documents, and Signature and Certification of Evidence Requirements; Elimination of Duplicative Language**

Sections affected: 1182.2; 1182.7; 1182.9; 1182.10; 1183.1; 1183.2; 1183.3; 1183.4; 1183.6; 1183.8; 1183.9; 1183.10; 1183.11; 1183.12; 1183.13; 1183.15; 1183.16; 1183.17; 1184.1; 1185.1; 1185.2; 1185.3; 1185.7; 1185.8; 1186.2; 1186.4; 1187.8; 1187.9; 1187.12; 1187.14; 1187.15; 1190.1; 1190.2; 1190.3; 1190.5.

The above-described regulations address and provide for the filing of findings of significant financial distress, test claims, proposed parameters and guidelines, jointly proposed parameters and guidelines, requests to amend parameters and guidelines, jointly proposed requests for early termination of a reasonable reimbursement methodology, review of the State Controller’s claiming instructions, incorrect reduction claims, requests for inclusion of a reimbursable program in the state mandates apportionment system (SMAS) (all of which are defined as “matters”), requests for extensions of time or postponements of hearings, substitutions of parties, requests for reconsideration, and requests for mandate redeterminations, and all comments, rebuttals, and supporting documentation associated with such matters (which are defined as “written materials”). All such filings are subject to the requirements of section 1181.3 (filing and service, including e-filing), and most are also subject to section 1187.5 (evidentiary requirements for article 7 quasi-judicial matters). However, portions of the language from either section 1181.3 or section 1187.5, or both, are repeated throughout the above-described regulations, with varying degrees of consistency and detail. The proposed amendments provide uniformity to those varied references, and ensure that the requirements of section 1181.3 are applied to all documents filed with the Commission, and the provisions of section 1187.5 are followed where applicable. Each of the sections listed above is either added to or reordered to include language requiring all filings, comments, rebuttals, requests, applications, or other written materials to be “certified, filed, and served” in accordance with section 1181.3 of these regulations, and, where required and not already present, stating that if representations of fact are made, they must be supported by documentary or testimonial evidence submitted in accordance with section 1187.5.

## **VII. Elimination of Duplicative Language; Consistency; Punctuation and Style**

In an effort to “clean-up” the Commission’s regulations, the proposed rulemaking makes terminology consistent, corrects punctuation and spacing, updates authority and reference citations, and fixes clerical or internal reference errors from prior rulemakings.

### **A. Technical Change**

#### Section 1187.5. Evidence Submitted to the Commission

The proposed amendment removes the word “or” between “personal knowledge” and “information” with respect to the provision requiring persons signing written representations of fact to do so based on the declarant’s personal knowledge or information or belief. The proposed

amendment is a minor, technical change and is consistent with evidentiary standards and the penalty of perjury standard stated in the Government Code, including section 17553 pertaining to test claim filings and section 17570 pertaining to mandate redetermination requests and the substantial evidence requirement applicable to Commission decisions.

Section 1185.4. Joining a Consolidated Incorrect Reduction Claim.

The proposed amendment removes the word “or” between “personal knowledge” and “information” with respect to the provision requiring a party seeking to join a consolidated incorrect reduction claim to file a notice of intent accompanied by a declaration. The proposed amendment is a minor, technical change and is consistent with evidentiary standards and the penalty of perjury standard stated in the Government Code, and with section 1187.5 of these regulations.

Section 1187.7. Witnesses and Subpoenas.

The proposed amendment removes the word “or” between “personal knowledge” and “information” with respect to the provision permitting an application for a subpoena to compel the attendance of a witness, and an application for a subpoena duces tecum for the production of documentation. The proposed amendment is a minor, technical change and is consistent with evidentiary standards and the penalty of perjury standard stated in the Government Code, and with section 1187.5 of these regulations.

**B. Use Consistent Terminology**

Several sections have been amended to apply consistent terminology or phrasing.

**C. Make Clerical Changes of Internal References, Punctuation, and Style**

Minor and non-substantive changes in internal references, punctuation, and style are proposed to improve the readability and clarity of the regulations.

Sections affected: 1182.15; 1183.1; 1185.2; 1187.15

The words “and hearing procedures” are replaced with “requirements and procedures relating to applications” in section 1182.15(b). The word “of” is changed to “on” in section 1183.1(a)(1). A space is inserted after “(c)” and before “Within” in section 1185.2(c). The period is replaced with a comma after “and” in section 1187.15(c)(4), because the new section 1187.15(c)(5) is now the last of the list of requirements.

**D. Update Authority and Reference Citations**

Citations have been updated to maintain consistency throughout the regulations and to add references, where appropriate.

Sections affected: 1183.17 and 1187.5.

**DISCLOSURES REGARDING THE PROPOSED ACTION**

The Commission has made the following initial determinations:

Mandate on local agencies and school district:	None
Cost or savings to any state agency:	None
Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630:	None

Other non-discretionary cost or savings imposed on local agencies:	None
Cost or savings in federal funding to the state:	None
Significant, statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states:	None
Significant effect on housing costs:	None
Cost impacts on a representative private person or business: The Commission is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.	

Results of the Economic Impact Analysis/Assessment

The Commission concludes that the proposal will: (1) not create or eliminate jobs within California; (2) not create new businesses or eliminate existing businesses within California; and (3) not affect the expansion of businesses currently doing business within California.

Small Business Determination

Because the Commission has no jurisdiction over small businesses and small businesses are not parties before the Commission, the proposed regulatory action will have no impact on small businesses.

**CONSIDERATION OF ALTERNATIVES**

In accordance with Government Code section 11346.5(a)(13), the Commission must determine that no reasonable alternative it considered or that has otherwise been identified and brought to the attention of the Commission would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

The Commission invites interested persons to present statements or arguments with respect to alternatives to the proposed regulations during the written comment period.

**CONTACT PERSONS**

Inquiries concerning the proposed administrative action may be directed to:

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 Commission on State Mandates  
 980 Ninth Street, Suite 300  
 Sacramento, CA 95814  
 Telephone: (916) 323-3562  
 (jill.magee@csm.ca.gov)

The backup contact person for these inquiries is:

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 980 Ninth Street, Suite 300  
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Please direct requests for copies of the proposed text (the “express terms”) of the regulations, the initial statement of reasons, the modified text of the regulations, if any, or other information upon which the rulemaking is based to Ms. Jill Magee at the above address or download it from the Commission's website at <http://www.csm.ca.gov/rulemaking.php>.

**AVAILABILITY OF STATEMENT OF REASONS  
AND TEXT OF PROPOSED REGULATIONS**

The Commission will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulations, the initial statement of reasons, and the Commission order to initiate rulemaking proceedings.

Copies may be obtained on the Commission's website (see below) or by contacting Ms. Jill Magee at the address or phone number listed above. All persons on the Commission’s interested persons mailing list will be provided a copy of the rulemaking file by making it available on the Commission’s website and providing notice of how to locate it.

**AVAILABILITY OF CHANGED OR MODIFIED TEXT**

After considering all timely and relevant comments received, and holding a public hearing, if necessary, the Commission may adopt the proposed regulations substantially as described in this notice. If the Commission makes modifications which are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before the Commission adopts the regulations as revised. Please send requests for copies of any modified regulations to the attention of Ms. Jill Magee at the address indicated above. The Commission will accept written comments on the modified regulations for 15 days after the date on which they are made available.

**AVAILABILITY OF THE FINAL STATEMENT OF REASONS**

Upon its completion, copies of the Final Statement of Reasons may be obtained by contacting Ms. Jill Magee at the above address.

**AVAILABILITY OF DOCUMENTS ON THE INTERNET**

Copies of the Notice of Proposed Action, the Initial Statement of Reasons, and the text of the regulations in underline and strikeout can be accessed through the Commission's website at <http://www.csm.ca.gov/rulemaking.php>.