



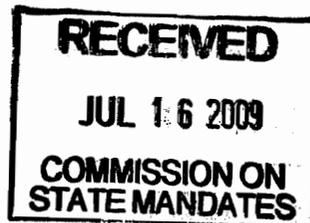
DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

ARNOLD SCHWARZENEGGER, GOVERNOR

STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

July 16, 2009

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



Dear Ms. Higashi:

As requested in your letter of June 30, 2009, the Department of Finance (Finance) has reviewed the draft staff analysis for the proposed statewide cost estimate for the *CalSTRS Service Credit* (02-TC-19), test claim submitted by the Santa Monica Community College District and claims filed by other community colleges, school districts, and county offices of education.

The draft staff analysis estimates a total cost of \$759,770 for the years 2001-02 through 2007-08, which averages to \$108,539 annually in costs for the state. This estimate is based on 186 unaudited claims submitted by 23 school districts, 4 county offices of education, and 11 community college districts.

Commission staff notes a significant variation in costs claimed for this program. Staff illustrated this variation with a comparison of per capita costs as calculated by dividing claimed amounts by the total number of certificated employees employed by a district. Specifically, the per capita cost ranged from \$0.21 to \$55.81 per certificated employee for school districts and county offices of education and from \$2.49 to \$18.13 per certificated employee for community college districts.

Finance notes that contrary to an expectation that one-time reimbursable activities of this program would generate higher costs in the first few years, the annual amounts claimed by school districts in the first, second, and third year of this program were significantly less than the costs claimed in the fourth year. Furthermore, while the number of school districts remained static at 17 claimants from 2003-04 to 2004-05, the total amount claimed increased by nearly 72 percent between the years. This significant year-over-year increase raises concerns regarding the accuracy of the claims.

As a result of our review, Finance concludes that the wide variation in per capita costs, the significant year-over-year cost increases, and the Commission's use of unaudited claims suggest that the statewide cost estimate is likely inaccurate and incapable of estimating future costs for the state.

As required by the Commission's regulations, a "Proof of Service" has been enclosed indicating that the parties included on the mailing list which accompanied your June 30, 2009 letter have been provided with copies of this letter via either United States Mail or, in the case of other state agencies, Interagency Mail Service.

Ms. Paula Higashi
July 16, 2009
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If you have any questions regarding this letter, please contact, Ryan Storm, Principal Program Budget Analyst at (916) 445-0328.

Sincerely,



JEANNIE OROPEZA
Program Budget Manager

Attachment

Attachment A

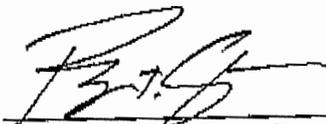
DECLARATION OF RYAN STORM
DEPARTMENT OF FINANCE
CLAIM NO. 02-TC-19

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.
2. We concur that the sections relevant to this claim are accurately quoted in the test claim submitted by claimants and, therefore, we do not restate them in this declaration.

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.

July 16, 2009

at Sacramento, CA



Ryan Storm

PROOF OF SERVICE

Test Claim Name: CalSTRS Service Credit
Test Claim Number: 02-TC-19

I, the undersigned, declare as follows:

I am employed in the County of Sacramento, State of California, I am 18 years of age or older and not a party to the within entitled cause; my business address is 915 L Street, 7th Floor, Sacramento, CA 95814.

On July 16, 2009, I served the attached recommendation of the Department of Finance in said cause, by facsimile to the Commission on State Mandates and by placing a true copy thereof: (1) to claimants and non-state agencies enclosed in a sealed envelope with postage thereon fully prepaid in the United States Mail at Sacramento, California; and (2) to state agencies in the normal pickup location at 915 L Street, 7th Floor, for Interagency Mail Service, addressed as follows:

Ms. Paula Higashi, Executive Director
Commission on State Mandates (A-16)
980 Ninth Street, Suite 300
Sacramento, CA 95814
Facsimile No. 445-0278

Mr. Robert Myers
Santa Monica Community College District
1900 Pico Blvd.
Santa Monica, California 90405-1628

Ms. Cheryl Miller
CLM Financial Consultants, Inc.
1241 North Fairvale Avenue
Covina, Ca 91722

Ms. Beth Hunter
Centration, Inc.
8570 Utica Avenue, Suite 100
Rancho Cucamonga, CA 91730

Mr. Douglas R. Brinkley
State Center Community College District
1525 East Weldon
Fresno, CA 93794-6398

Mr. Mike Brown
School Innovations & Advocacy
11130 Sun Center Drive, Suite 100
Rancho Cordova, CA 95670

Department of Education (E-08)
Attn: Ms. Carol Bingham
Fiscal Policy Division
1430 N Street, Suite 5602
Sacramento, CA 95814

Mr. Jim Spano
State Controller's Office (B-08)
Division of Audits
300 Capitol Mall, Suite 518
Sacramento, CA 95814

Ms. Sandy Reynolds
Reynolds Consulting Group, Inc.
P.O. Box 894059
Temecula, CA 92589

Mr. Steve Shields
Shields Consulting Group, Inc.
1536 36th Street
Sacramento, CA 95816

Mr. Steve Smith
Steve Smith Enterprises, Inc.
2200 Sunrise Blvd., Suite 220
Gold River, CA 95670

Mr. Robert Miyashiro
Education Mandated Cost Network
1121 L Street, Suite 1060
Sacramento, CA 95814

Ms. Harmeet Barkschat
Mandate Resource Services, LLC
5325 Elkhorn Blvd. #307
Sacramento, CA 95842

Mr. David E. Scribner
Scribner & Smith, Inc.
2200 Sunrise Blvd., Suite 220
Gold River, CA 95670

Chief Counsel
State Teachers Retirement System
CalSTRS
P.O. Box 15275, MS#03
Sacramento, CA 95851-0275

Ms. Donna Ferebee
Department of Finance (A-15)
915 L Street, 12th Floor
Sacramento, CA 95814

Ms. Jolene Tollenaar
MGT of America
455 Capitol Mall, Suite 600
Sacramento, CA 95814

Mr. Keith Petersen
SixTen Associates
3841 North Freeway Blvd., Suite 170
Sacramento, CA 95834

Mr. J Bradley Burgess
Public Resource Management Group
1380 Lead Hill Blvd., Suite 106
Roseville, CA 95661

Mr. Gene Sies
Lassen County Office of Education
472-013 Johnstonville Road North
Susanville, CA 96130

B-29
Legislative Analyst's Office
Attention: Marianne O'Malley
925 L Street, Suite 1000
Sacramento, CA 95814

Ms. Susan Geanacou
Department of Finance (A-15)
915 L Street, Suite 1280
Sacramento, CA 95814

Ms. Sandra Thornton
California Teachers Association
9548 Duchess Lane
Stockton, CA 95209

Ms. Ginny Brummels
State Controller's Office (B-08)
Division of Accounting & Reporting
3301 C Street, Suite 500
Sacramento, CA 95816

Ms. Jeannie Oropeza
Department of Finance (A-15)
Education Systems Unit
915 L Street, 7th Floor
Sacramento, CA 95814

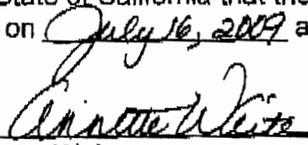
Mr. Michael Johnston
Clovis Unified School District
1450 Herndon Avenue
Clovis, CA 93611-0599

Mr. Arthur Palkowitz
San Diego Unified School district
Office of Resource Development
4100 Normal Street, Room 3209
San Diego, CA 92103-8363

Ms. Mary Jarvis
San Luis Obispo County Office of Education
3420 Watson Drive
San Luis Obispo, CA 93405-7828

B-8
State Controller's Office
Division of Accounting & Reporting
Attention: William Ashby
3301 C Street, Room 500
Sacramento, CA 95816

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 16, 2009 at Sacramento, California.



Annette Waite