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February 12, 2016
*Commission on
State Mandates*

BETTY T. YEE
California State Controller

February 12, 2016

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

Re: Draft Proposed Decision

Incorrect Reduction Claim

Health Fee Elimination, 09-4206-I-24 and 10-4206-I-34

Former Education Code Section 72246 (Renumbered as 76355)

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

Statutes 1987, Chapter 1118 (AB 2336)

Fiscal Years 2002-03, 2003-2004, 2004-05, and 2005-06

Foothill De-Anza Community College District, Claimant

Dear Ms. Halsey:

The State Controller's Office (SCO) has reviewed the Commission on State Mandates' (Commission) Draft Staff Analysis (DSA) dated February 10, 2016, for the above incorrect reduction claim (IRC) filed by Foothill De-Anza Community College District. This letter constitutes the Controller's response to the DSA.

We support the Commission staff decision related to the following:

- The audit of the district's fiscal year (FY) 2002-03 and FY 2003-04 claims was timely initiated and timely completed.
- Reductions of indirect costs claimed for FY 2002-03 and FY 2003-04 that were based on indirect cost rates that the district developed using the OMB Circular A-21 methodology, but were not federally approved, are correct as a matter of law.
- The SCO recalculations of the district's indirect cost rates for all years of the audit period using the Form FAM-29C were not arbitrary, capricious, or entirely lacking in evidentiary support.

Heather Halsey, Executive Director

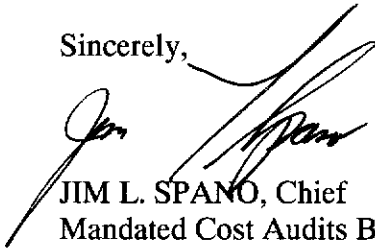
February 12, 2016

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- Reductions based on understated offsetting health service fee revenues, totaling \$716,795, are correct as a matter of law. The SCO calculations of authorized health service fees are not arbitrary, capricious, or entirely lacking in evidentiary support.

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

Sincerely,



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

JLS/as

16872

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 February 16, 2016, I served the:

SCO Comments on Draft Proposed Decision

Health Fee Elimination, 09-4206-I-24 and 10-4206-I-34

Former Education Code Section 72246 (Renumbered as 76355)

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

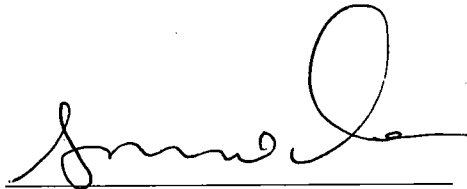
Statutes 1987, Chapter 1118 (AB 2336)

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, and 2005-2006

Foothill-DeAnza Community College District, Claimant

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

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on February 16, 2016 at Sacramento, California.



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

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 1/14/16

Claim Number: 09-4206-I-24 and 10-4206-I-34

Matter: Health Fee Elimination

Claimant: Foothill-De Anza Community College District

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

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

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