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March 24, 2017
*Commission on
State Mandates*

BETTY T. YEE
California State Controller

March 23, 2017

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

Re: Draft Proposed Decision

Incorrect Reduction Claim

Health Fee Elimination, 10-4206-I-35

Former Education Code Section 72246 (Renumbered as 76355)

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

and Statutes 1987, Chapter 1118 (AB 2336)

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, and 2006-2007

San Mateo Community College District, Claimant

Dear Ms. Halsey:

The State Controller's Office (SCO) has reviewed the Commission on State Mandates' (Commission) Draft Staff Analysis (DSA) dated March 17, 2017, for the above incorrect reduction claim (IRC) filed by San Mateo 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 for fiscal year (FY) 2002-03 and FY 2003-04 was initiated in a timely manner and the audit for all fiscal years was completed on time.
- Reductions of unallowable services and supplies based on promotional items offered by the claimant are correct as a matter of law, and are not arbitrary, capricious, or entirely lacking in evidentiary support.
- Reductions of costs claimed as bad debt expenses resulting from uncollected student health fees are correct, as these costs are not identified in the Parameters and Guidelines as eligible for reimbursement.
- Reductions of indirect costs in FY 2002-03 and FY 2003-04 are correct as a matter of law.

Heather Halsey, Executive Director

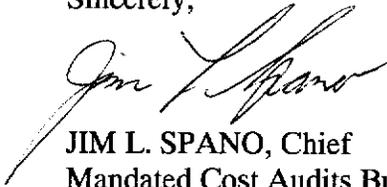
March 23, 2017

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- The indirect cost reduction for FY 2004-05 was incorrect as a matter of law. When the updated Mandated Cost Manual was issued to community college districts, the claimants likely would have had insufficient notice, or an opportunity to comment, before the FY 2004-05 reimbursement claim was due to the Controller. The Commission finds that \$4,896 of indirect costs should be reinstated to the claimant.
- Reductions based on understated offsetting health service fee revenues are correct as a matter of law, and 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/lr

17980

DECLARATION OF SERVICE BY EMAIL

I, the undersigned, declare as follows:

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

On March 24, 2017, I served the:

SCO Comments on the Draft Proposed Decision

Health Fee Elimination, 10-4206-I-35

Former Education Code Section 72246 (Renumbered as 76355)¹

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

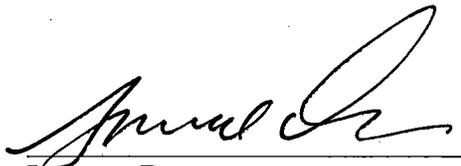
and Statutes 1987, Chapter 1118 (AB 2336)

Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, and 2006-2007

San Mateo Community College District, Claimant

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

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on March 24, 2017 at Sacramento, California.



Lorenzo Duran

Commission on State Mandates

980 Ninth Street, Suite 300

Sacramento, CA 95814

(916) 323-3562

¹ Statutes 1993, chapter 8.

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 3/22/17

Claim Number: 10-4206-I-35

Matter: Health Fee Elimination

Claimant: San Mateo County 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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