

# WHY FILE MANDATE CLAIMS?

## IT IS A LOT OF WORK!

- You are constitutionally entitled (Article XIII B, section 6) to be reimbursed for programs mandated by the state but not funded by the state. You are implementing the will of the electorate that voted for Proposition 4 in 1978 to keep the State from imposing unfunded new programs on cash-strapped local agencies.
- State appropriations for mandate reimbursement are included in the Proposition 98 statewide school funding limits, so if you don't file mandate claims, your fair share of state funding is going to those districts that do file mandate claims.
- Mandate reimbursement revenue does not reduce your revenue limit or state basic aid entitlement.
- There are no state appropriation "strings" attached to mandate reimbursement revenue, you can spend it however you wish.
- The state will reimburse the cost of preparing the mandate annual reimbursement claims, filing incorrect reduction claims to appeal claim adjustments, and filing original test claims to have a new program approved for reimbursement.
- With increasing frequency, the Legislature reconsiders and makes optional some mandated programs that have become too "expensive" in terms of total cost to the state to reimburse all the districts filing claims. Therefore, this is a powerful method of informing the Legislature of the ultimate cost of the programs they create for you to implement in your districts.

## MANDATED COST REIMBURSEMENT HISTORY

Prior to 1972, the ability of the State to mandate programs on schools was unrestricted. The funding of these state mandates was passed on to taxpayers through higher local property taxes. Eventually this led to the passage of Proposition 13, which limited increases in local property taxes.

Senate Bill 90, in 1972, contained the first requirement that the state reimburse schools for costs incurred to comply with new state mandated programs, or higher levels of service mandated on existing programs. It wasn't until 1977 that a mechanism was established by which school districts (including county offices of education and community colleges) could file claims against the State for reimbursement of new programs and increased costs mandated by the State.

The Board of Control was designated as the responsible State administrative agency and it immediately established a test claim and appropriation procedure to implement the program and facilitate reimbursement. By 1985 the State had lost several major mandate reimbursement court cases (and in the belief that the Board of Control was approving too many claims), legislators, the Attorney General, and the Governor's staff joined forces to replace the Board of Control with a Commission on State Mandates comprised entirely of Governor's appointees and the State's fiscal control agencies. The seven members of the Commission include the Director of the Department of Finance (who chairs the Commission), State Treasurer, State Controller, Director of the Governor's Office of Planning and Research, and three public members with local government experience appointed by the Governor.

The Commission on State Mandates is the focal point of the state-mandated cost reimbursement process. The Commission hears and rules on all test claims alleging the existence of an unfunded state mandate. It is also responsible for: hearing and approving the Parameters and Guidelines which specify reimbursable costs and reimbursement criteria; developing statewide cost estimates; sponsoring legislation to fund approved test claims and deficiencies in previous reimbursement appropriations; and adjudicating claims filed by local agencies against the Controller's Office alleging an incorrect reduction of annual reimbursement claims. The California courts can overrule a Commission decision, but you must go to the Commission first!

# THE CONSTITUTIONAL GUARANTEE OF REIMBURSEMENT

## CALIF. CONSTITUTION ARTICLE XIII B, SECTION 6

[New section adopted November 6 1979 by initiative measure, and amended November 2, 2004 (Prop. 1A).]

(a) 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 program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

- (1) Legislative mandates requested by the local agency affected;
- (2) Legislation defining a new crime or changing an existing definition of a crime; or
- (3) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) (1) Except as provided in paragraph (2), for the 2005-06 fiscal year and every subsequent fiscal year, for a mandate for which the costs of a local government claimant have been determined in a preceding fiscal year to be payable by the State pursuant to law, the Legislature shall either appropriate, in the annual Budget Act, the full payable amount that has not been previously paid, or suspend the operation of the mandate for the fiscal year for which the annual Budget Act is applicable in a manner prescribed by law.

(2) Payable claims for costs incurred prior to the 2004-05 fiscal year that have not been paid prior to the 2005-06 fiscal year may be paid over a term of years, as prescribed by law.

(3) Ad valorem property tax revenues shall not be used to reimburse a local government for the costs of a new program or higher level of service.

(4) This subdivision applies to a mandate only as it affects a city, county, city and county, or special district.

(5) This subdivision shall not apply to a requirement to provide or recognize any procedural or substantive protection, right, benefit, or employment status of any local government employee or retiree, or of any local government employee organization, that arises from, affects, or directly relates to future, current, or past local government employment and that constitutes a mandate subject to this section.

(c) A mandated new program or higher level of service includes a transfer by the Legislature from the State to cities, counties, cities and counties, or special districts of complete or partial financial responsibility for a required program for which the State previously had complete or partial financial responsibility.

# PROPOSITION 76

*did not pass  
Leg. Assembly*

State reimbursement of mandates is a result of Proposition 13 of 1977 (local property limits) and Proposition 4 of 1978 (Gann Initiative). Occasionally, mandates come up in other voter initiatives. In addition to the more advertised school funding provisions of Proposition 76, on the November 2005, ballot, there is some very interesting mandate payment language for education.

## "Payment of Mandate Claims

The State Constitution requires the state to pay local governments for new or expanded programs which it imposes on local governments. In past years, the Governor and Legislature have deferred payments for mandate claims filed by school and community college districts and noneducation local governments (counties, cities, and special districts). Current law requires the state to pay within fifteen years any unpaid noneducation mandate claims incurred before 200405. *There is no specific time frame for payment of unpaid education claims.* This measure (1) shortens to five years the period in which the state must pay overdue *noneducation* mandate claims and (2) *sets a 15-year deadline on payment of overdue education mandate claims. The measure also states that Proposition 98 funds allocated to schools "shall first be expended . . . to pay the costs for state mandates incurred during that year."* This would change the state's current practice of providing specific funding to reimburse each school and community college district for its state-mandated activities.

Fiscal Effect. These provisions would have the effect of increasing state costs over the next five years with a comparable reduction over the subsequent ten years."

# THE " SACRAMENTO SCENE "

## **Education Mandated Cost Network (EMCN) Executive Committee & Community College Subcommittee**

The EMCN was formed in 1978 to pursue payment for unfunded mandates. It is a coalition of local education agencies which through their representatives on the Executive Committee lobby against new mandates, sponsor test claims on mandates, and work with the state agencies and the legislature to improve reimbursement for all districts. The EMCN established the Community College Subcommittee in 1998 to increase the mandate reimbursement opportunities for college districts.

## **Commission on State Mandates (COSM)**

This state commission was established in 1985 to replace the Board of Control. Its duties are to determine if new mandates are reimbursable, write parameters and guidelines, calculate statewide cost estimates, and hear appeals of State Controller audit actions.

## **State Controller Division of Accounting and Audits (SCO)**

Develops and issues claiming instructions, reviews all reimbursement claims for compliance and payment, conducts field audits, and participates in the COSM process, especially at the parameters and guidelines stage.

## **State Department of Finance (DOF)**

Represents the state throughout the COSM process (to control total state reimbursement appropriations), represents the Governor's office regarding annual appropriations for new and ongoing mandate programs, prepares the Governor's annual proposed budget, including the money for mandate reimbursement.

## **California State Legislature**

The ultimate power over mandates: creates new programs, funds or "de-funds" reimbursement, modifies parameters and guidelines, and writes the rules for the Commission process.

# **THE “BIG PICTURE” STATE MANDATE PROCESS**

## **PHASE 1. THE LEGISLATIVE PROCESS**

The State Legislature passes a law or a state agency writes a regulation which requires a local agency to provide a new program or service to the public, but does not fund it!

## **PHASE 2. THE TEST CLAIM PROCESS**

A local agency, on behalf of all similar agencies, prepares and files a “test claim” with the Commission on State Mandates. Interested state agencies rebut. Commission staff prepares a recommendation for the commissioners. A public hearing is conducted.

## **PHASE 3. THE ANNUAL CLAIM PROCESS**

The State Controller issues annual claiming instructions. The local agencies file the annual claims. The State Controller reviews and audits the claims.

## **PHASE 4. THE FUNDING PROCESS**

The Commission on State Mandates asks the Legislature to fund the approved mandates. When the Legislature funds the program, then the Department of Finance appropriates the funds to the State Controller, who cuts the checks to the local agency.

## **PHASE 5. LEGISLATIVE ANALYST COMMENTS**

As a result of a new Government Code section passed in 2002, the Legislature’s Legislative Analyst’s Office is required to comment on newly approved mandates submitted for reimbursement and can also advise as to whether ongoing mandates should be repealed.

# CLAIM-RELATED DEFINITIONS

## Test Claim

The "claim of first impression" filed by a local agency to "test" whether new legislation mandating a new program or increased costs of an existing program is "reimbursable." Pursuant to legislation (a budget-trailer bill!) passed in 2002, all test claims on existing law had to be filed by September 30, 2003. Pursuant to 2003 Legislation, all test claims must be filed within one year of the enactment of the mandate program.

## Annual Reimbursement Claim

The claim submitted each January 15 for the prior fiscal year actual costs. This claim is the legal entitlement for payment.

## Estimated Claim

The claim submitted each January 15 for the current fiscal year estimated costs. If this estimate is more than 10% higher than the prior year claim, it needs explanation/documentation. This claim is for cash-flow purposes only.

## SCO Claiming Instructions and Audit

The forms and instructions issued each year by the State Controller which detail the reimbursable costs for each program that are used by districts to claim their costs. The SCO performs either a "desk audit" or a "field audit" of each claim before payment.

## Parameters and Guidelines

The document adopted by the Commission on State Mandates that describes the reimbursable activities for each mandate. Unlike claiming instructions, this document is usually issued once and rarely changes. The parameters and guidelines are essentially treated as "regulations," similar to Title 5.

## Incorrect Reduction Claim

After seeking to resolve payment disputes directly with the State Controller, districts can appeal to the Commission on State Mandates using the Incorrect Reduction Claim process. This can be a time-consuming and complex process.

**COMMUNITY COLLEGE DISTRICTS**  
**53 STATE MANDATES BY SUBJECT GROUP**  
(WITH FISCAL YEAR TO START TO COLLECT DATA)

Fiscal Year

**STUDENT FEES**

1	CCD	1/84	Health Fee Elimination ✓	Ongoing
2	CCD	308/95	Enrollment Fee Collection/Waivers ✓	98-9
3	CCD	450/02	Tuition Fee Waivers	01-2*
4	MC6	51012	Student Fees	01-2*

**STUDENT SERVICES**

5	CCD	1455/90	Extended Opportunity Programs for Students	01-2*
6	CCD	187/00	Notices to Students	01-2*
7	CCD	159/01	CalGrants	01-2*
8	CCD	745/01	Disabled Student Programs and Services	01-2*
9	MC 9	51018	Counseling Programs	01-2*
10	MC 16	51024	Matriculation Services	01-2*
11	MC 18	51026	Student Equity	01-2*
12	MC 19	51027	Transfer Centers	01-2*

**CURRICULUM**

13	MC 1	51002	Standards of Scholarship	01-2*
14	MC 2	51004	Degrees and Certificates	01-2*
15	MC 3	51006	Open Courses	01-2*
16	MC 10	51020	Instructional Objectives	01-2*
17	MC 11	51021	Curriculum Requirements	01-2*
18	MC 12	51022	Vocational Education Programs	01-2*
19	MC 13	51022	Course Articulation-Local	01-2*
20	CCD	Title 11	Peace Officer Instructor Training	01-2*

**CAMPUS SAFETY**

21	CCD	423/90	Sexual Assault Response Procedures	Ongoing
22	K-14	754/01	Child Abuse and Neglect Reporting	00-1*

**ADMINISTRATION- EMPLOYEE RELATIONS**

23	K-14	961/75	Collective Bargaining	Ongoing
24	CCD	531/00	Reporting Improprieties in Government Activities	01-2*
25	K-14	893/00	Agency Fee Arrangements	00-1*
26	CCD	1102/02	Discrimination Complaint Procedures	01-2*
27	MC 14	51023	Academic Freedom	01-2*
28	MC 15	51023	Shared Governance	01-2*



## COMMUNITY COLLEGE DISTRICTS- MANDATES BY SUBJECT GROUP

### ADMINISTRATION- EMPLOYMENT

29	CCD	124/00	Employment of Faculty/Administrators	01-2*
30	K-14	1021/00	CalSTRS Creditable Compensation	00-1*
31	K-14	375/02	CalSTRS Service Credit	01-2*
32	MC 5	51010	Equal Employment Opportunity	01-2*
33	MC17	51025	Full-time/Part-time faculty ratios	01-2*

### ADMINISTRATION - PUBLIC INFORMATION

34	K-14	815/75	Student Records	01-2*
35	K-14	1170/96	Grand Jury Proceedings	97-8
36	K-14	355/01	California Public Records Act	01-2*

### ADMINISTRATION - GOVERNANCE

37	K-14	641/86	Brown Act Reform/Open Meetings Act	Ongoing
	K-14	44/00	Community Oversight Committees	01-2*
38	MC 8	51016	Accreditation	01-2*
39	MC 20	51001	MCSA Enforcement	01-2*

### ADMINISTRATION- FINANCE

40	K-14	486/75	Mandate Reimbursement Process	Ongoing
41	K-14	1124/00	MRP 2- AB 3000	02-3*
42	K-14	783/95	Investment Reports II (Suspended 08/16/04, Optional 9/29/04)	
43	CCD	59010	Budget and Accounting Manual	02-3*

### FACILITIES - MAINTENANCE

44	CCD	764/99	Integrated Waste Management	99-0
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### FACILITIES - FUNDING

45	CCD	764/81	Deferred Maintenance	01-2*
46	K-14	1168/02	School Facility Funding Requirements	01-2*

### FACILITIES - PLANNING

47	CCD	758/95	Community College Construction	01-2*
48	MC 4	51008	Comprehensive Master plans	01-2*
49	MC 7	51014	Approval of New Colleges	01-2*

### FACILITIES - CONSTRUCTION MANAGEMENT

50	K-14	1121/02	California Environmental Quality Act	02-3*
51	K-14	938/01	Prevailing Wage Rate	00-1*
52	K-14	455/02	Public Contracts	01-2*
53	K-14	660/02	Design-Build Contracts	01-2*

\* These programs have yet to be approved by the Commission.

**K-14 EDUCATION AGENCIES**  
**11 PEACE OFFICER AND RELATED MANDATES BY SUBJECT GROUP**  
(WITH FISCAL YEAR TO START TO COLLECT DATA)

				<u>Fiscal Year</u>
<b>PERSONNEL</b>				
1	K-14	465/76	Peace Officer Procedural Bill of Rights	0
2	K-14	465/76	Peace Officer Procedural Bill of Rights II*	02-3*
3	K-14	1249/92	Threats Against Peace Officers	0
4	K-14	1120/96	Peace Officers' Survivors Health Benefits	0
<b>EMPLOYEE TRAINING</b>				
5	K-14	126/93	Law Enforcement Sexual Harassment Training	0
6	CCD	Title 11	Peace Officer Instructor Training*	01-2*
<b>ENFORCEMENT</b>				
7	K-14	875/85	Photographic Record of Evidence	0
8	K-14	758/95	Sexual Assault Response Procedures	0
9	CCD	284/98	Law Enforcement College Jurisdiction Agreements	0
10	CCD	908/96	Sex Offenders: Megan's Law	0
11	K-14	754/01	Child Abuse and Neglect Reporting	01-2*

\* These programs have yet to be approved by the Commission.

# CLAIMABLE COST ELEMENTS

## THOSE COSTS WILL BE REIMBURSED BY THE STATE

### I. DIRECT COST

#### LABOR COSTS

Compensation paid for salaries, wages, and fringe benefits. Labor costs are calculated based on a "*productive-hourly-rate*" multiplied by the staff time spent on the mandated activity.

#### MATERIALS AND SUPPLIES

Purchased (or internally-charged) goods used directly for the mandated activity. Costs are claimed based on the number of units and the cost per unit consumed, so long as the usage is *reasonable in quantity, quality, and cost*.

#### CONTRACTED SERVICES

Compensation paid for consultants working on the mandate. To claim costs you must provide the number of hours worked, period of the contract, activities performed, *hourly rate of compensation (subject to caps)*, and invoices/contractor billings.

#### TRAVEL

Pursuant to the regular travel *rules and regulations of the local jurisdiction*, except that **some programs are limited to State Board of Control standards**. To claim this expense, you must provide the purpose of the trip, name and address of person incurring the expense, date and time of departure and return, description of each expense item claimed, cost of commercial transportation or number of private auto miles traveled, and any parking or tolls in excess of \$6.00.

# CLAIMABLE COST ELEMENTS-continued

## EQUIPMENT AND CAPITAL OUTLAY

Equipment and fixed assets *are not reimbursed unless specifically allowed* by the claiming instructions for the particular mandate. When allowed, rental expense cannot exceed the retail purchase price of the equipment plus a finance charge. To claim, you must provide a description of the equipment, its use, its acquisition cost or lease cost, and the time period of the lease.

## II. INDIRECT COST

Accounting standard: Indirect costs are incurred for a common agency purpose benefiting more than one cost center and are not readily assignable to the cost centers specifically benefited without accounting effort disproportionate to the results achieved.

School Districts: Use the J-380 or its equivalent successor method.

County Offices: Use the J-580 or its equivalent successor method.

Community Colleges *have a choice*:

1. A federally approved *rate* on OMB Circular A-21.
2. State Controller's FAM 29C which uses the CCFS-311.
3. 7%

## III. COST "SAVINGS" AND REVENUE OFFSETS

Government grants or categorical funding for implementing mandated activities.

Government reimbursements for implementing mandated activities.

*Do not offset* general state school fund apportionments, basic aid, or general federal aid for education.