1. **Introduction**

   Government Code (GC) sections 17500 through 17617 provide for the reimbursement of costs incurred by community college districts (CCD) for mandated cost programs as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

   Reimbursement claims are defined as any claim filed with the State Controller's Office (SCO) for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. All claims received by the SCO will be reviewed to verify all actual costs claimed. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable.

   If a claimant is using an indirect cost rate that exceeds 7%, **documentation to support the indirect cost rate must be submitted with the claim.** A detailed explanation of the indirect cost methods available to CCDs can be found in Section 2, Filing a Claim, page 9, Indirect Costs. Documentation to support actual costs must be kept on hand by the claimant and made available to the SCO upon request as explained in Section 2, Filing a Claim, page 16, Retention of Claim Records and Supporting Documentation.

   The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds become available.

2. **Types of Claims**

   Claimants may file a claim for reimbursement of actual costs incurred in prior fiscal years for a state-mandated program. The types of claims, as defined in GC section 17522, are as follows:

   A. Initial Reimbursement Claim

      A claim filed with the SCO for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the SCO pursuant to subdivision (b) of Section 17558.

   B. Annual Reimbursement Claim

      A claim filed with the SCO for actual costs incurred in a prior fiscal year for which appropriations are made to the SCO for this purpose.

   C. Entitlement Claim *(currently there are no State Mandate Apportionments System (SMAS) programs for CCDs)*

      A claim filed with the SCO for the purpose of establishing or adjusting a base year entitlement. All entitlement claims are subject to GC section 17616.

3. **Minimum Claim Amount**

   For initial claims and annual claims, if the total costs for a given year do not exceed $1,000, no reimbursement will be allowed except as otherwise allowed by GC section 17564.
4. Filing Deadline for Claims

A. Initial Reimbursement Claims

Each CCD, to which the mandate is applicable, shall submit claims for the costs of the initial fiscal years to the SCO within 120 days of the issuance date of the claiming instructions, pursuant to GC section 17561, subdivision (d)(1)(A). Any claim for initial reimbursement filed after the filing deadline will be reduced by 10% of the amount that would have been allowed had the claim been timely filed, with no limitation. The SCO may withhold payment of any late claim for initial reimbursement until the next payment deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. Amended initial claims filed after the deadline will be reduced by 10% of the increased amount of the initial costs, with no limitation. For the purpose of computing a late penalty, claims for all initial fiscal years required to be filed on their initial filing date for a program shall be considered one claim. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the SCO’s claiming instructions.

B. Annual Reimbursement Claims

Each CCD must submit a claim to the SCO by February 15, unless otherwise specified in the claiming instructions, following the fiscal year in which costs were incurred for the program. Claims for fiscal year 2015-16 will be accepted without a late penalty if postmarked or delivered on before the deadline. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed $10,000. Amended claims filed after the deadline will be reduced by 10% of the increased amount, not to exceed $10,000. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the SCO’s claiming instructions.

C. Entitlement Claims (currently there are no SMAS programs for CCDs)

When a mandated program has been included in the SMAS, the SCO will determine a base-year entitlement amount for each CCD that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, these claims should be filed by February 15 following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims.

5. Payment of Claims

In order for the SCO to authorize the payment of a claim, the Certification of Claim, Form FAM-27, must be properly filled out, signed in blue ink, and dated by the agency’s authorized officer. Pursuant to GC section 17561, subdivision (d), reimbursement claims are paid by October 15 or 60 days after the date the appropriation for the claim is effective, whichever is later. In the event the amount appropriated by the Legislature is not sufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration. Notwithstanding any other law, if $1,000 or less is appropriated for a program, the SCO shall determine the most cost-effective allocation method.

A. Initial Reimbursement Claims

When paying a timely filed claim for initial reimbursement, the SCO shall withhold 20% of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs.

The payment of an initial reimbursement claim by the SCO shall include accrued interest at the Pooled Money Investment Account (PMIA) rate, if the payment is made more than 365 days after adoption of the statewide cost estimate for an initial claim. Interest shall begin to accrue as of the 366th day after the adoption of the statewide cost estimate for the initial claim.
B. Annual Reimbursement Claims

A claimant is entitled to receive accrued interest at the PMIA rate for any unpaid subsequent claim amount remaining on August 15 following the filing deadline. Interest shall begin to accrue on August 16 following the filing deadline.

C. Entitlement Claims (currently there are no SMAS programs for CCDs)

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30. The amount to be apportioned is the base-year entitlement adjusted by annual changes in the Implicit Price Deflator (IPD) for the cost of goods and services to governmental agencies as determined by the Department of Finance (DOF).

When the SCO has made a payment on claims prior to the Commission on State Mandate’s (CSM) approval of the program for inclusion in the SMAS, the payment shall be adjusted in the next apportionment to the amount which would have been subvened to the district for that fiscal year had the SMAS been in effect at the time of the initial payment.

The SCO reports the amounts of insufficient appropriations to the Director of the DOF, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective fiscal committee in each House of the Legislature. Any balances remaining on these claims will be paid if supplementary funds become available.

Unless specified in the statutes, regulations, or Parameters and Guidelines (Ps & Gs), the determination of allowable and unallowable costs for mandates is based on the Ps & Gs adopted by the CSM. Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required in carrying out the overall responsibilities of government;

2. The cost is allocable to a particular cost objective identified in the Ps & Gs; and

3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that should not be claimed as direct program costs unless specified as reimbursable under the program’s Ps & Gs. These costs include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops, general education, and travel costs.

6. State Mandates Apportionment System (SMAS), GC sections 17615 – 17617 (currently there are no SMAS programs for CCDs)

Chapter 1534, Statutes of 1985, established the SMAS. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the State by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the State. This method is utilized whenever a program has been approved for inclusion in the SMAS by the CSM.

Once the CSM approves a mandate for inclusion in the SMAS, the SCO will determine a base-year entitlement amount for each CCD that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base-year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for any three consecutive fiscal years. The amounts are first adjusted by any change in the IPD, which is applied separately to each year’s costs for the three years that comprise the base period. The base period is the three fiscal years succeeding the CSM’s approval.
When the claims are approved and a base-year entitlement amount is determined, the claimant will receive an apportionment reflective of the program's current-year costs. The apportionment amount is adjusted annually for any change in the IPD. If the mandated program was included in the SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and the number of full-time equivalent students.

The SCO will perform this computation for each claimant that has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, Form FAM-43, to establish a base-year entitlement. The Form FAM-43 is included in the claiming instructions for SMAS programs.

If a SMAS program is discontinued or made permissive, the SCO shall determine the amount of the entitlement attributable to that mandate according to GC section 17615.6. If the program is modified or amended by the Legislature or an executive order and the modification or amendment significantly affects the program, as determined by the CSM, the program shall be removed from the SMAS and the payments reduced accordingly, pursuant to GC section 17615.7.

In the event the CSM determines that the apportionment amount or base-year entitlement does not accurately reflect costs incurred by the district of all mandates upon which that apportionment is based, the CSM shall direct the SCO to adjust the apportionment as set forth in GC section 17615.8, subdivision (c).

7. Direct Costs

A direct cost is a cost that can be readily identified specifically with a single particular program or activity. Documentation to support direct costs must be kept on hand, unless otherwise specified in the claiming instructions, and made available to the SCO on request.

It is the responsibility of the claimant to maintain documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee timesheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

Costs typically classified as direct costs are:

(1) Employee Wages, Salaries, and Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classifications, hours worked on the mandate, and rate of pay. The claimant may use a productive hourly rate in lieu of reporting actual compensation and benefits:

(a) Productive Hourly Rate Options

A CCD may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee;
- The weighted-average annual productive hours for each job classification; or
- 1,800* annual productive hours for all employees.

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed.
* 1,800 annual productive hours excludes the following employee time:

- Paid holidays;
- Vacation earned;
- Sick leave taken;
- Informal time off;
- Jury duty; and
- Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and benefits and divide by the annual productive hours.

**Table 1: Productive Hourly Rate, Annual Salary + Benefits Method**

<table>
<thead>
<tr>
<th>Formula:</th>
<th>Description:</th>
</tr>
</thead>
</table>
| ([EAS + Benefits] ÷ APH) = PHR | EAS = Employee's Annual Salary  
APH = Annual Productive Hours |
| \[(\$26,000 + \$8,099)\] ÷ 1,800 hrs = 18.94 | PHR = Productive Hourly Rate |

As illustrated in Table 1, if an employee's compensation was $26,000 and $8,099 for annual salary and benefits, respectively, using the Salary + Benefits Method, would yield a productive hourly rate of $18.94. To convert a biweekly salary to an annual salary, multiply the biweekly salary by 26. To convert a monthly salary to an annual salary, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.

2. A claimant may also compute the productive hourly rate by using the Percent of Salary Method.

**Table 2: Productive Hourly Rate, Percent of Salary Method**

<table>
<thead>
<tr>
<th>Example:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1:</strong> Benefits as a Percent of Salary</td>
</tr>
<tr>
<td>Retirement</td>
</tr>
<tr>
<td>Social Security &amp; Medicare</td>
</tr>
<tr>
<td>Health &amp; Dental Insurance</td>
</tr>
<tr>
<td>Workers' Compensation</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Description:**

EAS = Employee's Annual Salary  
APH = Annual Productive Hours  
BR = Benefit Rate  
PHR = Productive Hourly Rate

As illustrated in Table 1 and Table 2, both methods produce the same productive hourly rate.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages, and employee benefits. Employee benefits include
employer's contributions for social security, pension plans, insurance, workers compensation insurance, and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered;
- The compensation paid and benefits received are appropriately authorized by the governing board;
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees; and
- The methods used to distribute personnel services produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at a higher-level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The number of hours in excess of normal expected hours is not reimbursable.

(c) Calculating an Average Productive Hourly Rate

In those instances for which the Ps & Gs allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

### Table 3: Calculating an Average Productive Hourly Rate

<table>
<thead>
<tr>
<th>Time Spent</th>
<th>Productive Hourly Rate</th>
<th>Total Cost by Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee A</td>
<td>1.25 hrs</td>
<td>$6.00</td>
</tr>
<tr>
<td>Employee B</td>
<td>0.75 hrs</td>
<td>4.50</td>
</tr>
<tr>
<td>Employee C</td>
<td>3.50 hrs</td>
<td>10.00</td>
</tr>
<tr>
<td>Total</td>
<td>5.50 hrs</td>
<td></td>
</tr>
</tbody>
</table>

Average Productive Hourly Rate is $45.88 ÷ 5.50 hrs = $8.34

(d) Employer's Benefits Contribution

A CCD has the option of claiming actual employer's benefit contributions or computing an average benefit cost for the employee's job classification and claiming it as a percentage of direct labor. The same time base should be used for both salary and benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each benefit is computed, total them. For example:
Employer’s Contribution | % of Salary
--- | ---
Retirement | 15.00
Social Security & Medicare | 7.65
Health & Dental Insurance | 5.25
Workers’ Compensation | 0.75
Total | 28.65%

(2) Materials and Supplies

Only actual expenses may be claimed for materials and supplies that were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity should be reasonable in quality, quantity, and cost. Purchases in excess of reasonable quality, quantity, and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases must be claimed at the actual price after deducting discounts, rebates, and allowances received by the CCD.

(a) Calculating a Unit Cost for Materials and Supplies

In those instances for which the Ps & Gs suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 4 or Table 5:

<table>
<thead>
<tr>
<th>Supplies</th>
<th>Cost Per Unit</th>
<th>Amount of Supplies Used Per Activity</th>
<th>Unit Cost of Supplies Per Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td>0.02</td>
<td>4</td>
<td>$0.08</td>
</tr>
<tr>
<td>Files</td>
<td>0.10</td>
<td>1</td>
<td>0.10</td>
</tr>
<tr>
<td>Envelopes</td>
<td>0.03</td>
<td>2</td>
<td>0.06</td>
</tr>
<tr>
<td>Photocopies</td>
<td>0.10</td>
<td>4</td>
<td>0.40</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$0.64</td>
</tr>
</tbody>
</table>
Table 5: Calculating a Unit Cost for Materials and Supplies

<table>
<thead>
<tr>
<th>Supplies</th>
<th>Amount of Supplies Used</th>
<th>Unit Cost of Supplies Per Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper ($10.00 for 500 sheet ream)</td>
<td>250 Sheets</td>
<td>$5.00</td>
</tr>
<tr>
<td>Files ($2.50 for box of 25)</td>
<td>10 Folders</td>
<td>1.00</td>
</tr>
<tr>
<td>Envelopes ($3.00 for box of 100)</td>
<td>50 Envelopes</td>
<td>1.50</td>
</tr>
<tr>
<td>Photocopies ($0.05 per copy)</td>
<td>40 Copies</td>
<td>2.00</td>
</tr>
</tbody>
</table>

Total: $9.50

If the number of reimbursable instances is 25, then the unit cost of supplies is $0.38 per reimbursable instance ($9.50 ÷ 25).

(3) Contract Services

The cost of contract services is allowable if the CCD lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must keep documentation on hand to support the name of the contractor, the reason for hiring a contractor, the mandated activities performed, the dates the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate must not exceed the rate specified in the Ps & Gs for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed. **A copy of the contract must be submitted with the claim.**

(4) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the Ps & Gs for the particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent that such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must maintain documentation to support the purpose and use of the equipment, the time period for which the equipment was rented, and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the rental costs may be claimed.

(5) Capital Outlay

Capital outlay for land, buildings, equipment, furniture, and fixtures may be claimed if the Ps & Gs specify them as allowable. If they are allowable, the Ps & Gs for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the purchase price used to implement the reimbursable activities may be claimed.

(6) Travel Expenses

Travel expenses are normally reimbursable in accordance with the travel rules and regulations of the local jurisdiction. For some programs, however, the Ps & Gs may specify certain limitations on expenses, or expenses may be reimbursed only in accordance with the California Department of Human Resources travel standards. When claiming travel expenses, the claimant must maintain documentation to support the purpose of the trip, the names and addresses of the persons incurring the expense, the date and time of departure and return, a description of each expense claimed, the cost of transportation, the number of private auto miles traveled, and the cost of tolls and parking. Receipts are required for charges over $10.00.
(7) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services, and facilities. To be allowable, a cost must be allocable to a particular cost objective. Indirect costs must be distributed to benefiting cost objectives on bases, which produce an equitable result, related to the benefits derived by the mandate.

A CCD may claim indirect costs using the SCO’s methodology (Form FAM-29C) or, if specifically allowed by a mandated cost program’s Ps & Gs, a district may choose to claim indirect costs using either (a) a federally approved rate prepared in accordance with the Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions; or (b) a flat 7% rate. The Form FAM-29C indirect cost rate and the flat 7% indirect cost rate are applied to Salaries and Benefits, whereas the federally approved rate is applied to the allocation base used in developing the federally approved rate.

The SCO developed Form FAM-29C to be consistent with OMB Circular A-21 cost accounting principles as they apply to mandated cost programs. The objective is to determine an equitable rate to allocate administrative support to personnel who performed the mandated cost activities. The methodology used in Form FAM-29C is a direct cost base comprised of salary and benefit costs. This provides a consistent indirect cost rate methodology for all CCD’s mandated cost programs.

Form FAM-29C uses expenditures that districts report in their California Community Colleges Annual Financial and Budget Report (CCFS-311), Expenditures by Activity for the General Fund – Combined. CCDs must use the CCFS-311 report applicable to the fiscal year of the reimbursement claim submitted. The computation excludes capital outlay and other outgo in accordance with OMB Circular A-21. The indirect cost rate computation includes any depreciation or use allowance applicable to district buildings and equipment. Districts calculate depreciation or use allowance costs separately from the CCFS-311 report and should calculate them in accordance with OMB Circular A-21.

OMB Circular A-21, Section C.4, states that a cost is allocable to a particular cost objective in accordance with the relative benefits received. Also, Section E.2.b., states that the overall objective of the cost allocation process is to distribute indirect costs to the institution’s major functions in proportions reasonably consistent with their use of the institution’s resources. In addition, Section E.2.c. notes that where certain items or categories of expense relate to less than all functions, such expenses should be set aside for selective allocation.

OMB Circular A-21, Section H, describes a simplified method for indirect cost rate calculations. However, Section H.1.b. states that the simplified method should not be used where it produces results that appear inequitable. As previously noted, Form FAM-29C strives to equitably allocate administrative support costs to personnel that perform mandated cost activities claimed by each CCD. For example, library costs and department administration expenses, normally classified fully or partly as indirect costs in OMB Circular A-21, are instead classified as direct costs for Form FAM-29C. These costs do not benefit mandated cost activities. In summary, Form FAM-29C indirect costs include operation and maintenance of plant; planning, policy making, and coordination; general institutional support services (excluding community relations); and
depreciation or use allowance. Community relations include fundraising costs, which are unallowable under OMB Circular A-21. If the district claims any costs from these indirect accounts as direct mandate-related costs, the same costs should be reclassified as direct on Form FAM-29C.

Table 6 presents an example of the Form FAM-29C methodology.
Table 6: Indirect Cost Rate for Community Colleges

<table>
<thead>
<tr>
<th>MANDATED COST</th>
<th>INDIRECT COST RATE FOR COMMUNITY COLLEGE DISTRICTS</th>
<th>FORM</th>
<th>FAM 29-C</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Claimant</td>
<td>Salaries and Benefits per CCFS-311</td>
<td>Operating Expenses per CCFS-311</td>
<td>Indirect-Salaries Benefits, and Operating Expenses</td>
</tr>
<tr>
<td>Activity</td>
<td>EDP</td>
<td>$46,249,931</td>
<td>$8,289,190</td>
</tr>
<tr>
<td>Instructional Activities</td>
<td>599</td>
<td>5,181,935</td>
<td>4,361,061</td>
</tr>
<tr>
<td>Instruct. Admin. &amp; Instruct. Governance</td>
<td>6000</td>
<td>1,251,539</td>
<td>80,201</td>
</tr>
<tr>
<td>Instructional Support Services</td>
<td>6100</td>
<td>3,373,121</td>
<td>1,116,904</td>
</tr>
<tr>
<td>Admissions and Records</td>
<td>6200</td>
<td>5,511,511</td>
<td>3,192,398</td>
</tr>
<tr>
<td>Student Counseling and Guidance</td>
<td>6300</td>
<td>5,192,099</td>
<td>1,116,904</td>
</tr>
<tr>
<td>Other Student Services</td>
<td>6400</td>
<td>2,562,909</td>
<td>1,096,833</td>
</tr>
<tr>
<td>Operation and Maintenance of Plant</td>
<td>6500</td>
<td>446,207</td>
<td>228,320</td>
</tr>
<tr>
<td>Planning, Policy Making, and Coordination</td>
<td>6600</td>
<td>1,262,909</td>
<td>1,096,833</td>
</tr>
<tr>
<td>General Institutional Support Services</td>
<td>6700</td>
<td>446,207</td>
<td>228,320</td>
</tr>
<tr>
<td>Community Relations</td>
<td>6710</td>
<td>1,327,125</td>
<td>34,931</td>
</tr>
<tr>
<td>Fiscal Operations</td>
<td>6720</td>
<td>449,392</td>
<td>394,915</td>
</tr>
<tr>
<td>Human Resources Management</td>
<td>6730</td>
<td>1,057,387</td>
<td>102,600</td>
</tr>
<tr>
<td>Non-instructional Staff Retirees’ Benefits and Retirement Incentives</td>
<td>6740</td>
<td>1,327,125</td>
<td>-</td>
</tr>
<tr>
<td>Staff Development</td>
<td>6750</td>
<td>446,207</td>
<td>228,320</td>
</tr>
<tr>
<td>Staff Diversity</td>
<td>6760</td>
<td>1,262,909</td>
<td>1,096,833</td>
</tr>
<tr>
<td>Logistical Services</td>
<td>6770</td>
<td>446,207</td>
<td>228,320</td>
</tr>
<tr>
<td>Management Information Systems</td>
<td>6780</td>
<td>1,262,909</td>
<td>1,096,833</td>
</tr>
<tr>
<td>Other General Institutional Support Services</td>
<td>6790</td>
<td>446,207</td>
<td>228,320</td>
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<tr>
<td>Community Services and Economic Development</td>
<td>6800</td>
<td>963,036</td>
<td>688,648</td>
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<td>Ancillary Services</td>
<td>6900</td>
<td>723,450</td>
<td>224,961</td>
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<tr>
<td>Auxiliary Operations</td>
<td>7000</td>
<td>565,859</td>
<td>12,179</td>
</tr>
<tr>
<td>Depreciation or Use Allowance - Building</td>
<td>7100</td>
<td>963,036</td>
<td>688,648</td>
</tr>
<tr>
<td>Depreciation or Use Allowance - Equipment</td>
<td>7200</td>
<td>723,450</td>
<td>224,961</td>
</tr>
<tr>
<td>Totals</td>
<td>86,819,928</td>
<td>18,201,861</td>
<td>27,922,129</td>
</tr>
<tr>
<td>Indirect Cost Rate (A)/(B)</td>
<td>40.69%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
9. Time Study Guidelines

Background

Two methods are acceptable for documenting employee time charged to mandated cost programs: (a) Actual Time Reporting; and (b) Time Study. These methods are described below. Application of time study results is restricted. As explained in the Time Study Results section below, the results may be projected forward a maximum of two years or applied retroactively to initial claims, current-year claims, and late-filed claims, provided certain criteria are met.

Actual Time Reporting

Each program’s Ps & Gs define reimbursable activities for the mandated cost program. When employees work on multiple activities, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that must:

- Reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;
- Account for the total activity for which each employee is compensated;
- Be prepared at least monthly and must coincide with one or more pay periods; and
- Be signed by the employee.

Budget estimates or other distribution percentages determined before services are performed do not qualify as support for actual time reporting.

Time Study

In certain cases, a time study may be used as a substitute for continuous records of actual time spent on multiple activities and/or programs. A time study can be used for an activity when the task is repetitive in nature. Activities that require varying levels of effort are not appropriate for time studies.

Time Study Plan

The claimant must develop a plan before the time study is conducted. The claimant must retain the time study plan for audit purposes. The plan must identify the following:

- Time periods to be studied – The plan must show that all time periods selected are representative of the fiscal year and that the results can be reasonably projected to approximate actual costs;
- Activities to be studied – The time study must separately identify each reimbursable activity defined in the mandated program's Ps and Gs. If a reimbursable activity identifies separate and distinct sub-activities, these sub-activities also must be treated as individual activities;

For example, sub-activities (a) and (b) under reimbursable activity (1) of the Agency Fee Arrangements Program relate to salary deduction and payment of fair share and are not separate and distinct activities. It is not necessary to separately study these sub-activities;

- Process used to accomplish each reimbursable activity – Use flowcharts or similar analytical tools and/or written desk procedures to describe the process followed to complete each activity;
- Employee universe – The employee universe used in the time study must include all positions for which salaries and wages are to be allocated by means of the time study;
- Employee sample selection methodology – The plan must show that employees selected are representative of the employee universe and that the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with
significant time variations; and

- Time increments to be recorded – The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very large increments (such as one hour or more) can be used for employees performing only a few functions that change very slowly over time. Small increments (a number of minutes) can be used for employees performing more short-term tasks.

Random-moment sampling is not an acceptable alternative to continuous time records for mandated cost claims. Random-moment sampling techniques are most applicable to situations in which employees perform many different types of activities on a variety of programs with small time increments throughout the fiscal year.

Time Study Documentation

Time studies must:

- Be supported by time records that are completed contemporaneously;

- Report activities on a daily basis;

- Be sufficiently detailed to reflect all mandated activities and/or programs performed during a specific time period; and

- Coincide with one or more pay periods.

Time records must be signed by the employee (electronic signatures are acceptable) and be supported by documentation that validates that the work was actually performed. As with actual time reporting, budget estimates or other distribution percentages determined before services are performed do not qualify as valid time studies.

Time Study Results

Claimants must summarize time study results to show how the time study supports the costs claimed for each activity. Any variation from the procedures identified in the original time study plan must be documented and explained. Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant may also apply time study results retroactively to initial claims, current-year claims, and late-filed claims.

When projecting time study results, the claimant must certify that no significant changes have occurred between years in either (a) the requirements of each mandated program activity; or (b) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain documentation that shows that the mandated activity was actually performed. Time study results used to support claims are subject to the recordkeeping requirements for those claims.

10. Offsets Against State-Mandated Claims

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased cost payable from CCD funds is eligible for reimbursement under the provisions of GC section 17561.

A. Example 1:

As illustrated in Table 7, this example shows how the offset against state-mandated claims is determined for a CCD receiving block grant revenues not based on a formula allocation. Program costs for each situation equal $100,000.
Table 7: Offsets Against State Mandates, Example 1

<table>
<thead>
<tr>
<th>Program Costs</th>
<th>Actual Local Assistance Revenues</th>
<th>State-Mandated Costs</th>
<th>Offset Against State-Mandated Claims</th>
<th>Claimable Mandated Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. $100,000</td>
<td>$95,000</td>
<td>$2,500</td>
<td>$2,500</td>
<td>$2,500</td>
</tr>
<tr>
<td>2. 100,000</td>
<td>97,000</td>
<td>2,500</td>
<td>-0-</td>
<td>2,500</td>
</tr>
<tr>
<td>3. 100,000</td>
<td>98,000</td>
<td>2,500</td>
<td>500</td>
<td>2,000</td>
</tr>
<tr>
<td>4. 100,000</td>
<td>100,000</td>
<td>2,500</td>
<td>2,500</td>
<td>-0-</td>
</tr>
<tr>
<td>5. 100,000*</td>
<td>50,000</td>
<td>2,500</td>
<td>1,250</td>
<td>1,250</td>
</tr>
<tr>
<td>6. 100,000*</td>
<td>49,000</td>
<td>2,500</td>
<td>250</td>
<td>2,250</td>
</tr>
</tbody>
</table>

* CCD share is $50,000 of the program cost.

Numbers (1) through (4) in Table 7, show intended funding at 100% from local assistance revenue sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the district. In numbers (1) through (6), included in the program costs of $100,000 are state-mandated costs of $2,500. The offset against state-mandated claims is the amount of actual local assistance revenues, which exceeds the difference between program costs and state-mandated costs. This offset cannot exceed the amount of state-mandated costs.

In (1), local assistance revenues were less than expected. Local assistance funding was not in excess of the difference between program costs and state-mandated costs. As a result, the offset against state-mandated claims is $0, and $2,500 is claimable as mandated costs.

In (4), local assistance revenues were fully realized to cover the entire cost of the program, including the state-mandated activity; therefore, the offset against state-mandated claims is $2,500, and the claimable cost is $0.

In (5), the district is sharing 50% of the project cost. As local assistance revenues of $50,000 were fully realized, the offset against state-mandated claims is $1,250.

In (6), local assistance revenues were less than the amount expended and the offset against state-mandated claims is $250. Therefore, the claimable mandated costs are $2,250.

B. Example 2:

As illustrated in Table 8, this example shows how the offset against state-mandated claims is determined for a CCD receiving special project funds based on approved actual costs. Local assistance revenues for special projects must be applied proportionately to the approved costs.

Table 8: Offset Against State Mandates, Example 2

<table>
<thead>
<tr>
<th>Program Costs</th>
<th>Actual Local Assistance Revenues</th>
<th>State-Mandated Costs</th>
<th>Offset Against State-Mandated Claims</th>
<th>Claimable Mandated Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. $100,000</td>
<td>$100,000</td>
<td>$2,500</td>
<td>$2,500</td>
<td>$2,500</td>
</tr>
<tr>
<td>2. 100,000**</td>
<td>75,000</td>
<td>2,500</td>
<td>1,875</td>
<td>625</td>
</tr>
<tr>
<td>3. 100,000**</td>
<td>60,000</td>
<td>1,500</td>
<td>1,125</td>
<td>375</td>
</tr>
</tbody>
</table>

** CCD share is $25,000 of the program cost.
In (2), the entire program cost was approved. As the local assistance revenue source covers 75% of the program cost, it also proportionately covered 75% of the $2,500 state-mandated costs, or $1,875.

If in (3) local assistance revenues are less than the amount expected because only $60,000 of the $100,000 program costs were determined to be valid by the contracting agency, then a proportionate share of state-mandated costs is likewise reduced to $1,500. The offset against state-mandated claims is $1,125. Therefore, the claimable mandated costs are $375.

11. Notice of Claim Adjustments

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. Claimants will receive a Notice of Claim Adjustment detailing any adjustments made by the SCO.

12. Audit of Costs

Pursuant to GC section 17558.5, subdivision (b), the SCO may conduct a field review of any claim after it has been submitted to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO’s claiming instructions and the Ps & Gs adopted by the CSM. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the claim activity adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

13. Source Documents

Costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee records, time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification stating: “I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct,” and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

14. Claim Forms and Instructions

Claim forms provided with the claiming instructions should be duplicated or printed from the SCO website (http://www.sco.ca.gov/ard_mancost.html) and used by the claimant to file reimbursement claims. A claimant may submit computer generated forms in substitution of Form 1 and Form 2, provided that the format of the forms and data fields contained within are identical to the claim forms included with the claiming instructions. The SCO will revise the manual and claim forms as necessary.

A. Form 2, Activity Cost Detail

This form is used to segregate the direct costs by claim activity. In some mandates, specific reimbursable activities have been identified for each activity. The expenses reported on this form must be supported by the official financial records of the claimant. All documents used to support the reimbursable activities must be retained by the claimant, unless required to be submitted with the claim, and must be made available to the SCO upon request.
B. Form 1, Claim Summary

This form is used to summarize direct costs by activity and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form 2 and are carried forward to Form FAM-27.

C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the CCD. All applicable information from Form 1 must be carried forward onto this form in order for the SCO to process the claim for payment. Submit a signed original Form FAM-27 and one copy with required documents. Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.

Mandated cost claiming instructions and forms are available online at the SCO’s website: www.sco.ca.gov/ard_mancost.html.

Use the following mailing addresses:

If delivered by U.S. Postal Service:  
Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, CA 94250

If delivered by other delivery services:  
Office of the State Controller  
Attn: Local Reimbursements Section  
Division of Accounting and Reporting  
3301 C Street, Suite 700  
Sacramento, CA 95816

15. Retention of Claiming Instructions

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. This manual should be retained for future reference, and the forms should be duplicated to meet your filing requirements. Annually, new or revised forms, instructions, and any other information claimants may need to file claims will be placed on the SCO’s website: www.sco.ca.gov/ard_mancost.html.

16. Retention of Claim Records and Supporting Documentation

Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a CCD subject to the initiation of an audit by the SCO no later than three years after the date that the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit will commence to run from the date of initial payment of the claim. In any case, an audit will be completed not later than two years after the date that the audit is commenced.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If the SCO has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

For more information, contact the Local Reimbursements Section by email at LRSDAR@sco.ca.gov, by telephone at (916) 324-5729, or by writing to the address above.