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School Bus Safety II:

State Law Intended to Make School Bus Transportation Safer Is Costing More Than Expected

March 2002
2001-120

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CALIFORNIA STATE AUDITOR

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March 28, 2002 2001-120

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As required by Chapter 723, Statutes of 2001, the Bureau of State Audits presents its audit report concerning the School Bus Safety II mandate. Although the Legislature expected that annual costs would be no more than $1 million when in 1997 it passed the law that led to the mandate, costs are substantially higher. Specifically, the Commission on State Mandates (commission) reported in January 2001 that the statewide cost estimate for the mandate would be $290 million for the six-year period from fiscal year 1996–97 through 2001–02, with an estimated annual cost of approximately $67 million for fiscal year 2001–02.

The costs claimed by the seven school districts we reviewed varied significantly depending upon the approach taken by the consultants who assisted them in claiming reimbursement. Some consultants took a conservative approach, advising school districts to claim only additional costs that directly resulted from their compliance with the mandate. One consultant—the one that assisted school districts in preparing 78 percent of the claims filed for fiscal year 1999–2000—took a more aggressive approach, advising the school district we reviewed to claim all costs related to the mandate, including those for activities that it provided before the mandate. The different approaches appear to be the result of the lack of clarity in the guidance adopted by the commission. The problems that arose because of this lack of clarity were exacerbated by the fact that the commission did not develop and adopt a statewide cost estimate until more than three years after the passage of the 1997 law. The commission could have avoided delays totaling more than 14 months in making its determination that a state mandate existed and in developing the statewide cost estimate. Finally, of the $2.3 million in direct costs claimed by the seven districts for fiscal year 1999–2000, only about $606,000 was traceable to documents that sufficiently quantified the costs.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE
State Auditor

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SUMMARY

Audit Highlights . . .

Our review of the School Bus Safety II mandate found that:

- ☑ *The costs for the mandate are substantially higher than what was initially expected.*
- ☑ *The costs claimed by seven school districts varied significantly depending upon the approach taken by their consultants.*
- ☑ *The different approaches appear to result from the lack of clarity in the guidelines adopted by the Commission on State Mandates (commission).*
- ☑ *Most of the school districts we reviewed lacked sufficient support for the amounts they claimed.*
- ☑ *The commission could have avoided delays totaling more than 14 months when determining whether a state mandate existed and in developing a cost estimate.*

RESULTS IN BRIEF

In response to a fatal accident involving a student who was crossing a street after a school bus had dropped him off, the Legislature enacted a number of requirements between 1994 and 1997 that were intended to improve the safety of students riding school buses. In 1999, the Commission on State Mandates (commission) determined that these laws imposed new requirements on California school districts and thus constituted a reimbursable state mandate, which it referred to as "School Bus Safety II." Later that year, the commission issued parameters and guidelines (guidelines) that described the costs the State would reimburse and the documentation required with each claim. When school districts began submitting claims for reimbursement, the commission reported that the statewide cost estimate for the mandate totaled $290 million for the six-year period from fiscal year 1996–97 through 2001–02, with an estimated annual cost of approximately $67 million for fiscal year 2001–02. Because the Legislature initially had expected the annual costs of the 1997 law to be no more than $1 million, it enacted state law in 2001 that prohibited payment of the claims until this audit is complete.

Most of the school districts employed consulting firms (consultants) to assist them in claiming reimbursement. Our testing of the claims filed by seven school districts revealed that the costs claimed varied significantly depending upon the approach taken by the consultants. For instance, four of the six consultants took a conservative approach, advising school districts to claim only additional costs that directly resulted from their compliance with the mandate. The costs claimed for fiscal year 1999–2000 by the four school districts assisted by these consultants ranged from $5,818 to $41,155, with an average cost per rider of $1.07 to $14.72. A district assisted by a fifth consultant claimed higher costs. However, these were largely the result of its interpretation of how the mandate affects a unique practice within that district.

The sixth consultant, Mandated Cost Systems (Mandated), assisted school districts in preparing 613 (78 percent) of the 787 claims filed for that year, accounting for approximately

$58 million of the $59 million claimed. Mandated took a more aggressive approach than the other consultants, advising the school district we reviewed to claim all costs related to the mandate, including those for activities that it had provided before the School Bus Safety II mandate. The school district claimed significantly higher total costs, and the average cost per rider was higher than for the other districts in our sample—approximately $1.8 million and $194.84, respectively. Although the district claimed costs for various activities included in the mandate, one requirement in particular—implementing transportation safety plans—was responsible for 99 percent of the direct costs that it claimed. Most of the district's costs associated with implementing its transportation safety plan related to ensuring compliance with school bus boarding and exiting procedures.

Although the seven school districts we reviewed asserted that they had sufficient support for amounts they had claimed, we found that most relied substantially upon incomplete data. For example, one district used assumptions to support approximately $601,000 it attributed to the time related to bus drivers ensuring that students board the appropriate buses and monitoring students boarding and exiting buses. This district lacked corroborating evidence such as a time study that could have supported the average number of hours it stated that drivers spent on these activities. The consultant that assisted the district in preparing the claim asserted that the guidelines issued by the commission provide broad discretion as to how costs can be supported. Commission staff told us they intended districts only to claim average numbers of employee hours if they could support their claims with documented time studies. However, although the commission provided this direction in one part of the guidelines, it listed various examples of supporting documents in another. The consultant believes these various examples provide discretion.

The differences in opinion about which costs can be claimed may in part reflect the fact that the guidelines adopted by the commission for the School Bus Safety II mandate do not adequately define reimbursable activities. They also do not provide sufficient guidance for claiming reimbursable costs, leaving various issues subject to interpretation. Instead, the guidelines use broad, nonspecific language that is very similar to the language used in the statutes that led to the mandate. Moreover, the guidelines do not distinguish between a school

district's obligations under prior law and the new obligations placed on school districts with regard to ensuring compliance with school bus boarding and exiting procedures.

The process the commission follows in adopting the guidelines seems to have contributed to their lack of clarity. State law and regulations outline a process that requires the test claimant (in this case, a school district) to propose guidelines under which costs can be claimed. However, the guidelines proposed by the school district were also not specific. Further, according to its executive director, the commission, as a quasi-judicial body, is limited in making changes to the proposed guidelines as commission staff can only analyze the issues that are presented by the claimant, affected state agencies, and other interested parties and then only in light of the commission's statement of decision concerning the test claim. In the case of the School Bus Safety II mandate, relatively few comments were made regarding the specificity of the guidelines. However, when some comments were made regarding the "Implementing Transportation Safety Plans" component, the commission chose to use the "broadest, most comprehensive" language that it could to ensure that large and small school districts would be covered for any activities they have in their transportation safety plans.

The problems that arose because of this lack of clarity were exacerbated by the fact that the commission did not develop and adopt a statewide cost estimate until more than three years after the passage of the 1997 law. When the Legislature passed this law, it was not aware of the magnitude of the fiscal impact the mandate would have. In fact, those who analyzed the law before its passage believed it would not be a state-reimbursable mandate. The Legislature remained unaware of the actual costs of the mandate until the commission finally adopted its statewide cost estimate in January 2001, and thus it could not intervene earlier to resolve the issues of concern. Although the commission is required to follow a deliberate and open process when determining whether a state mandate exists and in developing a cost estimate, it appears that it could have avoided delays totaling more than 14 months.

RECOMMENDATIONS

The Legislature should amend the parameters and guidelines through legislation to more clearly define activities that are reimbursable and to ensure that those activities reflect what

the Legislature intended. The guidelines should clearly delineate between activities that are required under prior law and those that are required under the mandate. Additionally, the guidelines should address several specific issues we noted during our review.

The commission should ensure that it carries out its process for deciding test claims, approving parameters and guidelines, and developing the statewide cost estimate in as timely a manner as possible.

School districts should ensure that they have sufficient support for amounts they claim. In addition, the commission should work with the State Controller's Office (Controller), other affected state agencies, and interested parties to make sure the language in the guidelines and the claiming instructions reflect the commission's intentions as well as the Controller's expectations regarding supporting documentation.

AGENCY COMMENTS

The commission states that it agrees with the factual findings in the report and will use the findings and recommendations to look for opportunities to improve its process. The Controller and four of the five school districts to which we made recommendations concur with the recommendations we directed to them. The fifth school district, Elk Grove Unified School District, disagrees with our conclusions regarding the sufficiency of its supporting documentation. We did not make any recommendations to the San Diego City Unified School District or the San Jose Unified School District and therefore, did not request that they respond to the audit report. ■

INTRODUCTION

BACKGROUND

State law authorizes, but does not require, school districts to provide for transportation of pupils to and from school. Various laws address the safe operation of school buses. In response to new federal regulations requiring stop signal arms on school buses, the Legislature passed Chapter 624, Statutes of 1992 (Assembly Bill 3144) in September 1992. This law, which became known as the School Bus Safety I mandate, required that school districts instruct all pre-kindergarten through eighth-grade students who receive home-to-school transportation on school bus safety. The mandate required that students receive this instruction at least once a year and that the districts make available to the California Highway Patrol such information as the name of the school, the date of instruction, and the grade levels of the pupils. In addition, it required school bus drivers to use hand-held "STOP" signs to escort students who need to cross roads.

In response to a fatal accident involving a student crossing a street after a school bus had dropped him off, the Legislature subsequently passed two laws that expanded the School Bus Safety I requirements—Chapter 831, Statutes of 1994 (Senate Bill 2019) and Chapter 739, Statutes of 1997 (Assembly Bill 1297). The 1994 law expanded those students covered under the 1992 law by changing the words "elementary and secondary levels" to "pre-kindergarten through twelfth grade." It also required that schools provide written school bus safety procedures to the parents or guardians of students in pre-kindergarten through sixth grade who have not previously been transported in school buses. Finally, the law gave school districts the authority to designate that selected school bus stops require flashing red lights.

Chapter 739, Statutes of 1997 (Assembly Bill 1297), which the governor approved in October 1997, introduced additional requirements. It directed school districts to prepare—and make available to the California Highway Patrol—a transportation safety plan containing procedures for school personnel to follow to ensure the safe transport of students. It also rescinded the authority given to the school districts to designate school bus

stops as requiring flashing red lights. Instead, it directed school bus drivers to operate the flashing red lights at all school bus stops, except in certain circumstances, such as at locations that present a unique traffic hazard due to road design or proximity to an intersection.

In 1999, although school districts are not required to provide home-to-school transportation, the Commission on State Mandates (commission) determined that the requirements of the 1994 and 1997 laws constituted a reimbursable state mandate, which it referred to as "School Bus Safety II." The commission issued parameters and guidelines (guidelines) incorporating the requirements of School Bus Safety I and II later that year. These guidelines described the costs that the State would reimburse and the documentation that the districts would need to maintain. Table 1 provides a description of the activities that the commission determined to be reimbursable under the School Bus Safety II mandate.

TABLE 1

School Bus Safety II Activities as Outlined in the Parameters and Guidelines

Activity	Description
Instructing pre-kindergarten and kindergarten pupils	• Instructing all pre-kindergarten and kindergarten pupils who are transported in school buses on emergency procedures and passenger safety
Providing services to pre-kindergarten through grade six pupils	• Determining which pupils in pre-kindergarten through sixth grade have not been previously transported by school bus • Providing written information on school bus safety at registration to parents or guardians of those pupils identified • Updating written information on new school bus safety information (including, but not limited to, a list of school bus stops near pupils' homes, general rules of conduct, red light crossing instructions, a list of school bus danger zones, and instructions for walking to and from bus stops) • Providing updated information to parents and guardians as necessary
Preparing and revising transportation safety plans	• Preparing and revising the transportation safety plan as necessary • Providing a copy of the plan to each school and, upon request, to any officer of the California Highway Patrol
Implementing transportation safety plans	• Determining which pupils require an escort • Ensuring compliance with the school bus boarding and exiting procedures for pupils in pre-kindergarten through eighth grade • Incurring bus driver time associated with any increased time spent on routes due to the flashing red lights requirement
Policies, procedures, training, and public information	• Informing district administrators, school personnel, and parents about new vehicle code and pupil transportation requirements • Responding to inquiries • Preparing and revising transportation policies • Conducting and attending related training sessions

THE COMMISSION ON STATE MANDATES

The commission is a seven-member group consisting of the State Controller, the State Treasurer, the Director of Finance, the Director of the Office of Planning and Research, one public member appointed by the governor, and two local government or school district members appointed by the governor. It is a quasi-judicial body whose primary responsibility is to hear and decide test claims that assert that the Legislature or a state agency imposed a reimbursable state mandate upon a local government or school district.

As a quasi-judicial body, the commission's role is similar to a court's in that it is to hear both sides of the dispute. The courts have found that in establishing the commission, the Legislature intended to create an administrative forum for resolution of state mandates claims with procedures designed to avoid multiple proceedings, whether judicial or administrative, addressing the same claim that a reimbursable state mandate exists. Nonetheless, like a court, the commission does not initiate claims or actions, but similar to a court, may give a ruling only on those issues that are brought before it. For example, although the commission is required to adopt parameters and guidelines, the claimant is designated by statute to submit the proposed contents of those guidelines. Outside of actual deliberations on the specific claim or claims before it, the commission, like a court, will not comment on the merits of a case that is pending or likely to come before it, nor will it give advisory opinions about potential issues.

Section 6 of Article XIII B of the California Constitution requires that, whenever the Legislature or any state agency mandates a new program or higher level of service for a local government or school district, the State must provide funding to reimburse the associated costs, with certain exceptions. The process for determining whether a state mandate exists begins with a claimant submitting a test claim. A test claim is the first claim filed with the commission asserting that a new program or higher level of service has been mandated by the State and that the costs associated with the program or service will be more than $200. Before 1999, there were two test claim approval processes established in regulations.[1] The process for undisputed claims took 180 days, or 6 months, from the day the claim was

[1] In 1999, the commission adopted regulations to comply with a 1998 law establishing a 365-day process for all claims regardless of whether they were disputed or not, although the commission can grant extensions for comments and hearing postponements.

submitted to the day the commission adopted a statewide cost estimate. The process for claims that were disputed by affected state agencies took 540 days, or 18 months. In the case of the School Bus Safety II mandate, the commission determined that the test claim was disputed; therefore, the 18-month approval process was to be followed. Table 2 summarizes the 18-month process.

TABLE 2

State Mandate Process for Disputed Claims Prior to 1999*

Adoption of the Test Claim Statement of Decision	Days 0 to 30	A claimant files a test claim with the commission. The commission reviews the test claim for completeness, sends the completed test claim to affected state agencies for review, and convenes an informal conference with the parties.
	Days 31 to 169	State agencies request extensions to file opposition to the test claim. The commission holds a hearing on the test claim and makes a finding that the test claim is disputed. State agencies file oppositions to the test claim. The claimant submits a rebuttal.
	Days 170 to 246	The commission completes the draft analysis of the test claim and sends it to affected state agencies and other interested parties. Parties may submit comments on staff's draft analysis. The commission may revise its analysis.
	Days 247 to 290	The commission hears the test claim, prepares the statement of decision, and serves it on parties. Then, the commission adopts the statement of decision.
Adoption of the Parameters and Guidelines	Days 291 to 390	The claimant submits its proposed parameters and guidelines describing reimbursable activities. Affected state agencies and other interested parties may file comments. The claimant may file rebuttals to the comments.
	Days 391 to 430	The commission completes the review and development of the parameters and guidelines. Then, it conducts a hearing and adopts them.
Adoption of the Statewide Cost Estimate	Days 431 to 540	The commission develops the statewide cost estimate. All parties can submit comments. The commission revises the statewide cost estimate, conducts a hearing, and adopts it.

* This 18-month process was the process the commission was to follow for the School Bus Safety II mandate.

State law requires that, once the commission adopts guidelines, it must send a copy to the State Controller's Office (Controller). Within 60 days, the Controller must issue claiming instructions to claimants based on the reimbursable activities described within the guidelines. School districts have 120 days from the issuance of the claiming instructions to file reimbursement claims with the Controller. These claims are subject to audit by the Controller for up to two years after the end of the year in which they are filed or amended, unless the Legislature makes no appropriations for them. If this occurs, the two-year period starts only once initial payment is made.

State law also requires that the commission report the statewide cost estimate (estimate) it has adopted. The estimate can cover several years and generally encompasses any claims submitted to date as well as projected costs based on these claims. The commission submits the estimate to the Legislature as part of its semi-annual report to the Legislature. Further, the Legislature has the authority to amend the guidelines through legislation. Additionally, it can delete funding from the legislation that funds the mandate. If the Legislature deletes funding for a mandate, the claimants may seek further relief in court.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits examine the claims under the School Bus Safety II mandate. Specifically, we were asked to review the commission's guidelines to determine if they adequately define the mandate's reimbursable activities and provide sufficient guidance for claiming reimbursable costs. In addition to examining any prior reviews of the claims, we were asked to examine a sample of claims to determine if the costs met the criteria for reimbursement. Finally, the audit committee asked us to evaluate the commission's methodology for estimating the future costs of this mandate. On October 10, 2001, the governor approved Chapter 723, Statutes of 2001 (Senate Bill 348), otherwise known as the claims bill. The claims bill contains language specifying that payment of claims related to the School Bus Safety II mandate shall not be made until completion of this audit.

To understand the commission's responsibilities in developing the parameters and guidelines, we interviewed commission staff and reviewed applicable laws, regulations, and procedures. To determine whether the guidelines provided sufficient guidance for claiming reimbursable costs, we reviewed the language the guidelines use, interviewed commission staff, and interviewed school districts and consultants.

The Legislative Analyst's Office previously performed a cursory review of claims associated with the mandate. We met with Legislative Analyst's Office staff to understand their observations.

To determine if the expenditures and activities claimed by the districts met the criteria for reimbursement, we examined a sample of claims for fiscal year 1999–2000, as this was the

most recent fiscal year for which claim data was available. We considered the dollar amount of the claim and geographic area (urban, suburban, and rural) when we selected our sample. Additionally, we identified the six consultants that assisted school districts in filing their claims and selected one claim for each, as well as one for a self-filing district. We interviewed the consultants and school district personnel to determine how reimbursable costs were being identified and examined the claims to determine whether there were inconsistencies in the way school districts were claiming reimbursements. To facilitate comparisons among school districts, we analyzed the costs of the mandate for fiscal year 1999–2000 using an average cost-per-rider calculation based on information we obtained from the California Department of Education on the number of students riding buses for each district.

We determined whether sufficient supporting documentation existed for the claims we reviewed. Although the claims contained costs for activities performed under both School Bus Safety I and II, we examined only those activities that pertained to the School Bus Safety II mandate.

We interviewed commission staff and evaluated their methodology in determining the statewide cost estimate for the School Bus Safety II mandate. Additionally, we interviewed legislative staff and reviewed fiscal analyses of the 1994 and 1997 laws to gain an understanding of the process used to estimate the costs associated with the mandate.

Finally, we requested a legal opinion from the Legislative Counsel regarding certain matters pertinent to the School Bus Safety II mandate. ■

AUDIT RESULTS

THE MANDATE HAS RESULTED IN SCHOOL DISTRICTS FILING SIGNIFICANT CLAIMS WITH THE STATE

The cost to the State for the School Bus Safety II mandate has proved to be significant. Most requirements of the School Bus Safety II mandate took effect in January 1998, although portions of the mandate relate to 1994 legislation and thus some school districts have filed claims involving expenses incurred as early as 1996. As of November 2001, school districts had filed approximately $155 million in reimbursement claims for the four-year period of fiscal year 1996–97 through 1999–2000.[2] In January 2001, the Commission on State Mandates (commission) used actual claims submitted through fiscal year 1998–99 to estimate that the mandate would cost the State $290 million for the six-year period of fiscal year 1996–97 through 2001–02. It estimated annual costs for fiscal year 2001–02 at approximately $67 million.

School districts hired consultants to assist them in submitting 771 of the 787 claims filed under the mandate for fiscal year 1999–2000. One consultant represented school districts that submitted 613 (78 percent) of the claims for that fiscal year, accounting for approximately $58 million of the $59 million claimed. Five other consultants assisted school districts in submitting an additional 158 claims. Table 3 on the following page provides the totals of the claims districts filed summarized by consultant affiliation.

[2] Fiscal year 2000–01 claims totaling $53 million were filed by January 2002. However, that amount includes costs for both School Bus Safety I and II, and we could not distinguish the costs related specifically to the School Bus Safety II mandate with the limited information available.

TABLE 3

Claims Filed by Consultant for Fiscal Year 1999–2000

Consultant	Number of Claims Filed	Percentage of Total Claims	Total Costs Claimed	Percentage of Total Costs
Mandated Cost Systems	613	77.89%	$57,669,215	97.44%
Centration	64	8.13	260,710	0.44
Maximus	38	4.83	171,031	0.29
Reynolds Consulting Group	37	4.70	177,888	0.30
Mandate Resource Services	11	1.40	17,728	0.03
SixTen and Associates	8	1.02	650,923	1.10
Self-filing School Districts	16	2.03	235,893	0.40
Totals	**787***	**100.00%**	**$59,183,388**	**100.00%**

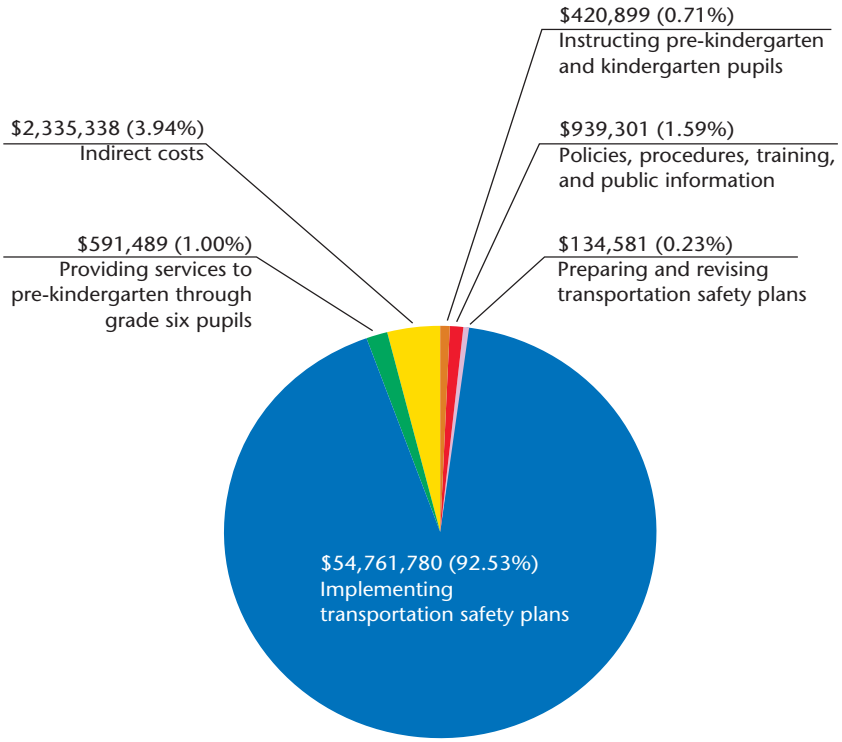
* Eight of the 787 claims were joint claims that combined between 2 to 19 school districts' costs. A total of 834 districts claimed costs under the mandate for fiscal year 1999–2000.

School districts are to follow the parameters and guidelines (guidelines) issued by the commission and claiming instructions issued by the State Controller's Office (Controller) when claiming reimbursement under the mandate. The guidelines list various activities for which school districts may claim reimbursement, such as instructing pre-kindergarten and kindergarten pupils on emergency procedures and preparing a transportation safety plan. (We describe these reimbursable activities in detail in the Introduction.) The Figure summarizes the costs school districts claimed by reimbursable activity.

As shown in the Figure, one requirement—implementing transportation safety plans—is responsible for almost $55 million (93 percent) of the total costs claimed for fiscal year 1999–2000. Further, we reviewed the 20 largest claims, which totaled $19 million, and found that most of the costs associated with implementing transportation safety plans related to a subcategory of that requirement—ensuring compliance with boarding and exiting procedures—and were claimed primarily by districts using Mandated Cost Systems (Mandated) as their consultant.

FIGURE

Costs by Reimbursable Activities for Fiscal Year 1999–2000



CONSIDERABLE INCONSISTENCIES EXIST IN THE WAY SCHOOL DISTRICTS HAVE CLAIMED COSTS

As mentioned, most school districts employed consultants to assist them in preparing their claims. The claims prepared by four of the consultants seem to reflect a conservative approach—claiming only those additional costs that are the direct result of the state-mandated requirements. However, one consultant, which assisted districts in preparing claims that accounted for approximately $58 million of the more than $59 million submitted for reimbursement for fiscal year 1999–2000, took a more aggressive approach. Specifically, this consultant advised its clients to claim for all costs associated with complying with the mandate, regardless of whether those costs were for activities the district performed before enactment of the mandate.

Our testing of costs claimed by seven school districts for fiscal year 1999–2000 revealed significant differences in their total costs and their average cost per bus rider. We selected six districts that had each worked with a different consultant, as well as one school district that had self-filed, and reviewed their claims

to determine how they approached the mandate's requirements. As shown in Table 4, the total costs for these seven claims varied considerably, ranging from $5,389 to $1,753,352. The average cost per rider for these claims showed similarly dramatic differences, ranging from $1.07 to $194.84. Although a cost-per-rider analysis is not a perfect indicator of a district's approach to filing claims because it does not account for factors such as the geographic size of the district and the related concentration of students, it does affect many of the costs and provides a basis for some overall comparison.

TABLE 4

Comparison of Average Cost Per Rider for Seven School Districts for Fiscal Year 1999–2000

	Consultants						
	Mandated Cost Systems	SixTen and Associates	Maximus	Mandate Resource Services	Reynolds Consulting Group	Centration	Self-Filing
	School Districts						
Reimbursable Activity	Elk Grove Unified School District	San Jose Unified School District	Ceres Unified School District	Dinuba Unified School District	San Dieguito Union High School District*	Fresno Unified School District	San Diego City Unified School District
Instructing pre-kindergarten and kindergarten pupils	$ 4,624	$ 679	$ 324	$ 142	$ 0	$ 0	$ 0
Providing services to pre-kindergarten through grade six pupils	3,716	0	93	434	0	1,006	1,626
Preparing and revising transportation safety plans	18	4,851	0	34	0	0	3,545
Implementing transportation safety plans	1,657,371	578,908	38,934	4,694	0	11,309	0
Policies, procedures, training, and public information	5,722	5,497	555	370	13,734	1,102	0
Total direct costs	**1,671,451**	**589,935**	**39,906**	**5,674**	**13,734**	**13,417**	**5,171**
Indirect costs†	81,901	29,969	1,249	144	900	712	218
Total costs claimed	**1,753,352**	**619,904**	**41,155**	**5,818**	**14,634**	**14,129**	**5,389**
Ridership	8,999	5,673	2,796	869	3,165	13,160	4,727
Average cost per rider	**$ 194.84**	**$ 109.27**	**$ 14.72**	**$ 6.70**	**$ 4.62**	**$ 1.07**	**$ 1.14**

* This claim includes costs for six school districts, five of which include elementary-level students.

† Indirect costs were determined by applying the indirect cost rate as noted in the claim to those costs specifically related to School Bus Safety II components.

These differences were not just reflective of the particular districts we selected for our review. An analysis of all claims filed by each of the consultants reveals less extreme but still significant differences, as shown in Table 5. In particular, the average costs per rider for all the claims filed by Mandated and SixTen and Associates (SixTen) were considerably higher than those of the other consultants and the self-filing districts. Moreover, SixTen's high cost per rider was due largely to its interpretation of how the mandate affects a unique practice in the San Jose Unified School District (San Jose), which we discuss later in more detail. When one removes San Jose from its total costs claimed, SixTen's average cost per rider drops to $4.80, which is significantly less than Mandated's average cost of $97.91 per rider.

TABLE 5

Comparison of Average Cost Per Rider for All Claims Filed for Fiscal Year 1999–2000

	Consultants						
	Mandated Cost Systems*	SixTen and Associates	Mandate Resource Services	Maximus	Centration*	Reynolds Consulting Group	Self-Filing
Number of claims filed	592	8	11	38	63	37	16
Total costs claimed	$57,032,607	$650,923	$17,728	$171,031	$260,420	$177,888	$235,893
Total ridership	582,518	12,135	2,821	38,442	118,687	106,602	40,012
Average ridership per district	984	1,517	256	1,012	1,884	2,881	2,501
Average cost per rider	**$ 97.91**	**$ 53.64†**	**$ 6.28**	**$ 4.45**	**$ 2.19**	**$ 1.67**	**$ 5.90**

* A total of 22 claims were filed (21 filed by Mandated and 1 filed by Centration) for which the California Department of Education did not receive ridership information. Consequently, these claims and the associated costs are not included in the table.

† When one excludes San Jose Unified School District, SixTen and Associates' average cost per rider is $4.80.

Four of the Six Consultants and the Self-Filing District Took a Conservative Approach to Claiming Costs

Four of the consultants—Reynolds Consulting Group, Maximus, Mandate Resource Services, and Centration—and the one self-filing district took a conservative approach to claiming costs under the mandate and, as a result, had low total and per rider costs. The four consultants advised their clients to claim only those additional costs that directly resulted from the requirements of the new mandate. As previously shown in Table 4, the total costs claimed and average cost per rider for the districts we reviewed that were assisted by these consultants

ranged from $5,818 to $41,155, and $1.07 to $14.72, respectively. The self-filing district we reviewed stated that it took a similar approach; thus, it claimed $5,389 in total costs with an average cost per rider of $1.14. This conservative approach is also reflected in the low average cost per rider for all claims shown in Table 5 on page 15.

Four consultants stated that their approach to preparing claims on behalf of school districts is to leave the district in the same financial position as before the mandate was imposed.

The four consultants believe that any activities the districts performed for other purposes before the School Bus Safety II mandate are not reimbursable because they are not a "new program or higher level of service" of an existing program as called for in Article XIII B of the California Constitution. For example, they believe that a task such as monitoring students is a fundamental responsibility of bus drivers, and that drivers did not have an "option" to monitor students boarding and exiting buses before the mandate. Thus, they argue that it is appropriate to claim reimbursement only for any additional time bus drivers spend doing this activity as the result of the mandate, not for the time the drivers would have spent monitoring the students even if the mandate had not been passed.

These consultants said they take an approach that basically leaves a school district in the same financial position as before the mandate was imposed. As one consultant explained, it views the mandate reimbursement process as a way of recovering additional costs the district must incur to comply with the new law. These consultants contend that, because school districts are required to perform a public service, the costs to perform the existing services are the costs of doing business and should not be redirected for reimbursement.

Additionally, these consultants state that the school districts they represent do not claim any costs associated with activities performed by teachers. Most of these consultants do not believe that claiming teacher costs is appropriate because the commission did not specifically state in its guidelines that such costs are reimbursable. One consultant stated he did not advise his clients to claim teacher costs because teachers are under contract for a predetermined number of hours. Consequently, he believes that any activities performed by teachers within these hours do not result in additional expenses and are therefore not reimbursable under the mandate.

One Consultant Has Claimed Reimbursement for Significant Costs Related to a Unique Practice at a School District

Similar to the consultants discussed previously, SixTen does not claim for teachers performing mandated activities. Additionally, SixTen believes the commission would allow school districts to claim costs for bus drivers under the mandate only if the bus drivers' workdays increased in length or additional bus drivers were hired to perform the task. This approach is reflected by the fact that, when one excludes San Jose from an analysis of the districts for which it prepared claims, SixTen's average cost per rider is $4.80. However, when San Jose is included in the analysis, SixTen's average cost per rider rises to $53.64. SixTen assisted San Jose in filing a claim that included substantial costs for activities the district was performing previously. San Jose claims significant costs related to a unique practice among school districts—using school-site bus monitors to supervise the loading and unloading of students. This consultant believes San Jose's reimbursement claim for these monitors was appropriate because the district views these as necessary activities to include in the district's transportation safety plan to ensure safe boarding and exiting of students. The average cost per rider for the San Jose claim was $109.27, as shown in Table 4 on page 14.

For fiscal year 1999–2000, San Jose claimed about $579,000 for school-site bus monitors to supervise the loading and unloading of students.

Specifically, for fiscal year 1999–2000 San Jose claimed approximately $579,000 for school-site bus monitors—individuals other than bus drivers and teachers—to ensure that students comply with the boarding and exiting procedures. However, San Jose employed monitors before enactment of the mandate because of safety concerns resulting from the resolution of a desegregation lawsuit that required it to provide additional transportation services to students. SixTen and San Jose believe it is appropriate to claim these costs because, although the district had monitors before the mandate, it was not required to do so. The mandate, however, requires the district to have a transportation safety plan and ensure compliance with boarding and exiting procedures. Because San Jose believes it necessary to include monitors as part of this plan, it contends it does not have the option to eliminate these positions. Additionally, San Jose believes the costs associated with school-site monitors are reimbursable because the mandate does not preclude the use of such monitors.

According to the other five consultants, none of the school districts they represent have claimed these kinds of costs. San Diego City Unified School District staff informed us that

they employ school-site monitors, but they did not claim the costs. As discussed later, the commission's guidance on what is reimbursable is not specific, which has led to school districts exercising latitude when deciding what to claim.

One Consultant's Approach Is to Claim Reimbursement for All Costs Rather Than Additional Costs

One consultant advises its client school districts to claim all costs related to complying with the mandate, regardless of whether they previously performed these activities.

As stated previously, Mandated assisted school districts in submitting 613 of the 787 claims filed for fiscal year 1999–2000, accounting for $58 million of the $59 million claimed during that time. From our review of the claim it prepared for the Elk Grove Unified School District (Elk Grove), we found that it takes a more aggressive approach overall to claiming costs under the mandate reimbursement process than do the other consultants and the self-filing district discussed in the previous sections. Mandated told us that it advises districts to claim all costs related to complying with the mandate, regardless of whether those activities were performed previously, with the only exception being those costs specifically prohibited by the guidelines. This more aggressive approach is reflected in its high overall average cost per rider of $97.91, as shown in Table 5 on page 15. The average cost per rider for the claim we reviewed, Elk Grove, was even higher at $194.84.

Elk Grove's claims for bus driver time are good examples of Mandated's approach. For fiscal year 1999–2000, Elk Grove claimed approximately $377,000 for time bus drivers spent monitoring students boarding and exiting buses. The purpose of this activity was to ensure that students boarded the buses safely. To calculate this cost, Elk Grove estimated that each driver spent 30 seconds per regular stop and 5 minutes per school-site stop monitoring students. It then multiplied this by the average bus driver salary of $20.40 per hour. For its special education students, Elk Grove claimed that each driver spent 5 minutes per route stop and 10 minutes per school-site stop to monitor students boarding and exiting the buses. It also claimed $224,000 for time bus drivers spent ensuring that students boarded the appropriate bus, basing its estimate on the assumption that its bus drivers spent an additional 5 minutes on this activity each time they picked up students at a school site. It claimed both of these amounts under subcategories of the guidelines' major category, "Implementing Transportation Safety Plans."

For fiscal year 1999–2000, Elk Grove claimed approximately $939,000 for teachers to ensure that students boarded the appropriate school bus.

Another illustration of Mandated's more aggressive approach is the inclusion in Elk Grove's claim of the time teachers spent to ensure that students boarded the appropriate bus. With an average teacher salary of $42.71 per hour, this practice resulted in a claim of approximately $939,000 for fiscal year 1999–2000. To arrive at this cost, Mandated estimated that it generally takes an Elk Grove teacher 5 minutes each time a bus stops at a school site to ensure that students board the appropriate bus. For its special education students, Elk Grove claimed that the teachers spent 10 minutes at each school site ensuring students board the appropriate buses. It multiplied the total of the time spent monitoring all the students by the average teacher salary, and then doubled this amount under the assumption that two teachers are necessary for every bus at every school site. The time claimed for two teachers at each site to ensure that students board the appropriate buses is in addition to the time claimed for the bus drivers for this activity because Elk Grove believes all three individuals are necessary for this activity. It also claimed an additional $54,000 for time teachers spent monitoring students boarding and exiting school buses on school activity trips. It claimed both of these amounts under subcategories of the guidelines' major category, "Implementing Transportation Safety Plans."

Mandated stated that it is not necessary to incur additional costs as a result of a mandate to claim reimbursement for activities related to it. Mandated believes that a claim is eligible for state reimbursement if it is for an activity a school district previously performed voluntarily but is now required to perform. Mandated points to California Government Code, Section 17565, which states, "If a local agency or school district, at its option, has been incurring costs which are subsequently mandated by the State, the State shall reimburse the local agency or school district for those costs after the operative date of the mandate." Mandated believes that school districts were not previously required to have procedures to ensure that students safely board and exit school buses, but were doing so voluntarily. Thus, it believes the State must now reimburse the school districts for all costs associated with those procedures because it is now a requirement through the mandate. Mandated also stated that if school districts do not claim all costs related to complying with the mandate by the required deadline, they cannot retroactively seek reimbursement even if those costs are later determined to be acceptable. Mandated told us that it applies this same methodology to all its clients.

We asked the Legislative Counsel about the relevance of California Government Code, Section 17565, to the School Bus Safety II mandate. The Legislative Counsel confirmed that to the extent that a school district had voluntarily established procedures for monitoring students while they boarded and exited school buses prior to the mandate, it may claim those costs to the extent the mandate now requires those procedures. However, as we discuss in the next section, the guidelines adopted by the commission are broadly stated and do not specifically address the extent to which school district personnel were required to monitor students as they boarded and exited school buses prior to the mandate.

THE COMMISSION'S GUIDANCE REGARDING CLAIMS REIMBURSEMENT LACKS CLARITY

The guidance established a broad standard that has allowed a variety of interpretations by school districts as to what costs to claim.

The guidance issued by the commission does not provide sufficient clarity to ensure that school districts claim reimbursement for mandated activities in an accurate and consistent manner. Instead, the guidance established a broad standard that has allowed a variety of interpretations by school districts as to what costs to claim. The lack of clarity in the guidance appears to be the result of several factors, including the broad language in the statutes from which the guidelines were developed. In addition, the test claim process does not require the claimant to be specific when identifying activities to be reimbursed. Further, the commission's executive director states that the commission, as a quasi-judicial body, is limited in making changes to the guidelines. Finally, the fact that the school districts' interests appear to have been better represented in the process than the State's also may have contributed to the ambiguity on this issue.

The Commission's Guidelines Do Not Specifically Define the Costs That Districts Can Claim

The commission's guidelines, which are intended to serve as guidance for the school districts and consultants that file claims under the mandate, provide limited information about which costs are allowable. For instance, the guidance lists three reimbursable activities under the "Implementing Transportation Safety Plans" component: (1) determining which students require an escort, (2) ensuring that pre-kindergarten through eighth-grade students comply with the school bus boarding and exiting procedures, and (3) incurring bus driver time associated

with any increased time spent on bus routes due to the new Vehicle Code requirement that school buses employ flashing red lights at all stops where students are boarding or exiting the bus. However, the guidelines do not define what precisely is reimbursable under these activities. For example, the guidelines state only that "ensuring pupil compliance with school bus boarding and exiting procedures for pupils in pre-kindergarten through grade 8" is a reimbursable activity. This lack of specificity has led to school districts exercising significant latitude when deciding what costs to claim.

As a result, although the guidelines do not specifically mention bus driver and teacher time related to implementing the transportation safety plan, it appears that the school districts that hired Mandated to prepare their claims have exercised latitude by claiming significant costs for bus driver and teacher time related to this requirement. Moreover, although the guidelines specify that ensuring pupil compliance with school bus boarding and exiting procedures is reimbursable, they do not make a clear distinction between a school district's obligations under prior law and the new obligations placed on school districts with regard to ensuring compliance with school bus boarding and exiting procedures.

Mandated was the only consultant that advised its client school districts to claim teacher costs.

Nineteen of the 20 largest claims for fiscal year 1999–2000 were filed by school districts represented by Mandated. These claims, which included the Elk Grove claim discussed previously, include significant costs claimed for bus driver and teacher time. However, as previously discussed, none of the other consultants whose claims we reviewed claimed costs related to teachers under this requirement. Further, these consultants claimed bus driver time only if there was a need for additional time related to activities such as determining which students required an escort across a highway or increased time related to the flashing red light requirements.

Because the guidance does not preclude the claiming of all costs associated with an activity, Mandated advises its clients to claim all costs for activities related to the mandate, regardless of whether the districts were performing those activities before the mandate. The practice of claiming for all costs has contributed significantly to the overall high costs of the reimbursement claims filed under the mandate. As previously discussed, the average cost per rider for all claims filed by Mandated was $97.91 compared with averages for four of the other consultants and self-filing districts, which averaged from $1.67 to $6.28 per rider.

Additionally, Mandated's average is also significantly higher than SixTen's $4.80 cost per rider, when San Jose is removed from its total costs claimed.

The Test Claim Process Does Not Require the Claimant to Be Specific When Identifying Reimbursable Activities

The process the commission follows in adopting the guidelines for the mandate seems to have contributed to their lack of clarity. As discussed in the Introduction, the commission is responsible for determining if state law imposes a mandate, and if it does, what costs are reimbursable under that mandate. However, the process the commission follows to make this determination, as outlined in state law and regulations, primarily requires that the test claimant (in this case, a school district) certify that the mandate's requirements will create a new program or a higher level of service, forcing it to incur costs of more than $200 in order to be in compliance. Although the process as outlined in regulations requires the claimant to identify what new program or higher level of service is required to comply with the mandate—in effect, the new required activities—the process does not require that the claimant be specific when identifying the activities to be reimbursed.

In the case of the School Bus Safety II mandate, the proposed guidelines were broadly stated, and the commission made very few changes.

For School Bus Safety II, the commission agreed with the test claimant that it was a state mandate. As required by statute, the test claimant then submitted proposed parameters and guidelines outlining the activities that it believed should be reimbursable. According to commission staff, the statutory requirement for test claimants to propose the language in the guidelines makes sense because they are in a better position than the commission to understand how the new requirements will affect them and what activities will be needed to comply with those requirements. However, in the case of the School Bus Safety II mandate, the proposed guidelines were broadly stated, and the commission made very few changes. The guidelines it approved are in fact very similar to the language in the law, containing little elaboration regarding specific reimbursable activities or explanation of the requirements under prior law versus the new law. Commission staff commented at a hearing on the School Bus Safety II mandate that the intent in drafting its guidance regarding ensuring compliance with boarding and exiting procedures was to use the broadest and most comprehensive language possible to ensure that both large and small school districts were going to be covered for any activities

they may have in their transportation safety plans. However, we found that this broad and comprehensive language has left the door open for a wide range of views.

As a Quasi-Judicial Body, the Commission's Role in Changing the Guidelines Is Limited

The lack of specificity in the guidelines may result, at least in part, from the statutory requirement that the commission act as a quasi-judicial body in reviewing mandates, as discussed in the Introduction. According to its executive director, the commission, as a quasi-judicial body, is limited in making changes to the proposed guidelines as commission staff can only analyze the issues that are presented by the claimant, affected state agencies, and other interested parties and then only in light of the commission's statement of decision concerning the test claim.

The issue of whether teacher time is reimbursable under the mandate was not brought before the commission to decide.

In the case of the proposed language for the "Implementing Transportation Safety Plans" component—the requirement accounting for most of the costs—relatively few issues were brought up regarding the language. For example, our review at Elk Grove, one of Mandated's clients, revealed that the school district claimed considerable costs for teachers to ensure that students boarded the appropriate buses. However, the specific issue of the extent to which teacher time could be claimed for ensuring compliance with boarding and exiting procedures, if any, was not brought before the commission, so nothing in the administrative record speaks to this issue. Moreover, when we attempted to ask the commission staff whether the types of claims we found fit within the guidelines, the staff declined to comment, explaining that the commission's role as a quasi-judicial body prohibited the staff from speculating about matters that may be brought before it in the future. For example, a school district may seek resolution from the commission if the Controller disallows any particular claim.

The guidelines proposed to the commission by the test claimant did not identify the types of employees who would ensure compliance with the school bus boarding and exiting procedures. In fact, the guidelines do not specifically address whether or not any school district personnel time may be claimed for ensuring pupil compliance with school bus boarding and exiting procedures. In contrast, the guidelines expressly state that bus driver time associated with any increased time spent on bus routes due to the flashing red light requirement may be

claimed. Further, the guidelines did not address the extent to which existing obligations to monitor students as they board and exit school buses would affect the extent to which employee time could be reimbursed under the mandate. For example, according to a Legislative Counsel opinion we requested, bus drivers were required before enactment of the mandate to monitor students, at least to some extent, while they boarded and exited school buses. However, the guidelines did not address the level of monitoring school bus drivers had a duty to perform before the School Bus Safety II mandate and did not present specific guidance as to what was claimable under the mandate.

Mandated asked the commission to clarify the extent to which school district employee time is reimbursable, yet the commission decided against making a clarifying change.

Nonetheless, shortly before the commission adopted the guidelines in November 1999, attorneys for Mandated submitted a letter asking the commission to clarify the extent to which time for employees—bus drivers or other district employees—spent monitoring students boarding and exiting school buses was reimbursable. The letter stated that this component could be very large and the consultant was concerned that the Controller would not interpret the language of the proposed guidelines with as much breadth as was intended. The letter provided the following example of how the consultant was interpreting this section: "Bus makes 10 stops at an average of 2 minutes for driver to ensure pupil compliance with boarding procedures; Arrives at school—2 minutes to ensure compliance when exiting; at school—5 minutes to ensure compliance when boarding; makes 10 stops at an average of 2 minutes for driver to ensure compliance with exiting procedures. Total 47 minutes per route per day." The consultant suggested adding greater specificity to the guidelines' language.

Even when faced with these specific circumstances, however, the commission decided against making a clarifying change regarding the extent to which bus driver or any other school district personnel time was reimbursable with respect to ensuring compliance with school bus boarding and exiting procedures. Rather, it stated in the administrative record that the claimant's version agreed with the statutory language and that a change in language could be deemed to limit reimbursement inappropriately. Consequently, Mandated perceived that all activities related to monitoring students while they board and exit school buses were eligible for reimbursement, and school districts it represented filed their claims accordingly. Other consultants did not follow such an approach.

We question how the Controller could effectively determine what costs are reimbursable if the guidelines have not sufficiently defined them.

Once the guidelines are adopted, the Controller issues claiming instructions to guide claimants in filing for reimbursement. Commission staff believe that it is the Controller's responsibility to determine through subsequent audits what costs to reimburse because the Controller has the authority under state law to reduce claims that are unreasonable or excessive through these audits. However, state law requires the Controller's claiming instructions to be derived from the statute and the guidelines. Thus, we question how the Controller could determine effectively what costs are reimbursable if the guidelines have not defined this sufficiently. We recognize that if the Controller in doing audits of the claims identifies areas that need to be clarified, the Controller may file a request with the commission to amend the guidelines. However, greater specificity in the guidelines might reduce the number of issues that need to be brought back to the commission.

The State's Interests Were Not Represented Fully When the Commission Developed the Guidelines

The many steps in the commission's process of developing parameters and guidelines for a mandate—outlined in the Introduction—allow all the involved parties to participate actively in the shaping of the guidance. The process creates opportunities for interested parties and stakeholders to comment, refute, or recommend changes to the proposed guidelines. Additionally, at different points in the process, the commission requests input from state agencies, such as the Department of Finance (Finance), which may be able to provide comments that would represent the State's interests. In fact, the courts have found that an affected state agency, and not the commission, represents the State's interests in proceedings related to disputed mandates. Yet despite the openness of this process, the various state agencies that might have helped to ensure greater clarity in the guidelines for the School Bus Safety II mandate did not do so.

The Controller was the only state agency that recommended changes to the language related to the "Implementing Transportation Safety Plans" component of the guidelines. The Controller proposed adding language that identified some specific costs as being reimbursable. However, the commission did not accept the change, and there is no indication that the Controller raised any subsequent concern about the language not being changed as it recommended. Further, although not required to do so, Finance did not submit comments at all

during this part of the process, and the California Department of Education—which, having a better understanding of school district operations than any of the State's interested parties, might have provided some useful input—was not asked to comment because of an oversight by commission staff. Finally, because its process does not require it to do so, the commission did not ask for input on the proposed guidelines from anyone at the Legislature. Doing so might have given the Legislature an opportunity to evaluate whether reimbursement would be allowed only for those requirements it intended to impose on school districts when it passed the law.

MOST SCHOOL DISTRICTS WE REVIEWED LACKED SUFFICIENT DOCUMENTATION FOR THEIR COSTS

As discussed previously, our review of seven school districts revealed significant inconsistencies in the types of costs districts claim. Additionally, we found that many school districts did not maintain sufficient documentation to support their claims. In fact, of the more than $2.3 million total direct costs the seven districts we reviewed submitted for reimbursement in fiscal year 1999–2000, only $606,000 (26 percent) was traceable to documents that sufficiently quantified the costs. To support the remaining $1.7 million (74 percent), these school districts relied substantially upon incomplete supporting data. The districts asserted they had sufficient support, yet the documentation we reviewed lacked crucial elements, such as corroborating data, and failed to substantiate the amounts claimed for reimbursement in many instances. In addition, some school districts claimed amounts for route time increases, yet they failed to maintain corroborating evidence to support these increases. Further, one district based much of the costs it claimed on questionable assumptions and even claimed for activities that appear to be beyond the scope of the mandate. Only San Diego City Unified School District had support for all the $5,171 in direct costs it claimed. Additionally, San Jose had sufficient documentation to support nearly all the $590,000 in direct costs that it claimed.

Of the more than $2.3 million in direct costs claimed by the seven districts we reviewed for fiscal year 1999–2000, only $606,000 was traceable to documents that sufficiently quantified the costs.

Elk Grove, which had the highest claims of any of the districts in our review, relied upon uncorroborated data to support the majority of the costs for which it filed for reimbursement. For example, Elk Grove used a signed worksheet to support approximately $601,000 it claimed for bus drivers monitoring students boarding and exiting buses and ensuring that students

board the appropriate bus. The worksheet indicated the district transportation director's estimate of the average time bus drivers spend on the various activities and applied it to information the district collects in reporting transportation data to the California Department of Education. However, these time estimates lacked corroborating evidence, such as a time study, that would support the estimate of the average amount of time bus drivers spent on these activities. This incomplete data provides limited assurance that the amount of time the district stated that bus drivers spent performing mandated activities is accurate. Indeed, based on our review of the claim Elk Grove filed in January 2002 for fiscal year 2000–01, it appears that the assumptions it used for its fiscal year 1999–2000 claim were incorrect, causing the claim to be overstated. Specifically, the district conducted a time study to support the amounts claimed for fiscal year 2000–01, resulting in a claim for bus driver time of $309,000—approximately one-half of what it claimed for fiscal year 1999–2000.

Based on our review of the claim Elk Grove filed for fiscal year 2000–01, it appears its fiscal year 1999–2000 claim was overstated.

The reliability of Elk Grove's worksheet is brought into question further when one considers that $76,000 of the $601,000 it claimed for driver time appears ineligible for reimbursement. In its calculations, Elk Grove failed to exclude a number of high school site stops as well as bus stops that are exclusively for students in grades 9 through 12. The consultant that assisted the district in submitting its claim, Mandated, believes the 1997 law from which the guidelines were developed does not exclude grades 9 through 12 from the requirement to have boarding and exiting procedures at school sites. Further, Mandated believes that, because the guidelines do not address school sites specifically, the language in the guidelines limiting reimbursement to pre-kindergarten through eighth grade for those activities related to boarding and exiting procedures does not apply to the school sites. Therefore, Mandated believes those costs are reimbursable. Commission staff told us the guidelines are very clear in stating that the boarding and exiting component applies only to students in pre-kindergarten through eighth grade. However, commission staff would not elaborate further because, as discussed previously, they cannot speculate about matters that may be brought before the commission in the future. Nevertheless, Mandated could not explain why the district claimed for time bus drivers spent monitoring students in grades 9 through 12 at those students' individual school bus stops, in conflict with the specific limitations expressed in the law.

Elk Grove also relied upon insufficient data to support approximately $993,000 in costs it attributed to teachers performing mandated activities. The district states that two teachers at each school site are responsible for ensuring that students board the appropriate bus. To determine the amount of time spent performing these activities, Elk Grove relied primarily upon telephone surveys of some schools, which documented the employee classifications performing this activity, and applied assumptions about the average amount of time required to perform an activity to determine these costs. For example, based loosely on these surveys, Elk Grove used a formula that assumed teachers at its various school sites spent a total of 114 hours collectively per day ensuring that students board the appropriate buses and claimed $939,000 based on this formula. Further, $82,000 of this amount appears inappropriate for another reason—it was claimed for time related to activities at high school sites, which do not have students in pre-kindergarten through eighth grade. Additionally, the district claimed $54,000—of which almost $22,000 was related to these activities at high schools—in reimbursement, asserting that teachers spend 15 minutes before and after each school activity trip to monitor pupils boarding and exiting the bus. In both instances, the only support for the time assumptions was an informal declaration from the transportation director.

Elk Grove claimed $939,000 based on its assumption that teachers at the various school sites spent a total of 114 hours collectively per day ensuring students board the appropriate school buses.

However, no substantive data, such as a time study, exists to support the number of teachers involved or the average time spent performing these activities and, consequently, the district cannot quantifiably substantiate the amount claimed for reimbursement. We looked at the district's claim for fiscal year 2000–01 that it recently filed to see how it compared to the fiscal year 1999–2000 claim. We were surprised to find that the district did not claim any costs for fiscal year 2000–01 related to teachers ensuring that students board the appropriate buses—an activity for which it claimed approximately $939,000 for fiscal year 1999–2000. However, the district did claim costs for time teachers spent monitoring students boarding and exiting the school buses on activity trips. Specifically, the district claimed approximately $134,000 for school activity trips for fiscal year 2000–01, which is substantially more than the $54,000 it claimed for that activity for fiscal year 1999–2000. The district told us it did not claim teacher time for fiscal year 2000–01 for ensuring that students board the appropriate buses at its school sites because its individual school sites did not respond to requests for information related to this activity. Further, Mandated stated that because the mandate was the subject of an

audit and it expected changes may occur with regard to what could be claimed, the school district was better off submitting a claim for teacher costs later and incurring a financial penalty for being late. The school district has up to a year after the initial filing deadline to submit a claim.

These were not the only instances involving inaccurate or undocumented assumptions regarding employee time. Several school districts claimed reimbursement for unsupported incremental time increases for their bus drivers, primarily related to the flashing red lights or pupil escort requirement. These districts assumed that bus route times had increased but did not conduct time studies before or after the mandate's effective date to substantiate their claims. For example, Elk Grove claimed that bus route times had increased by 10 seconds per stop because of the drivers' employment of the flashing red lights. This resulted in Elk Grove claiming costs of about $61,000. Ceres Unified School District (Ceres) claimed that the flashing lights increased its bus route times by two minutes per stop, for a cost of approximately $39,000. Ceres identified an increase in the number of bus driver hours from fiscal year 1998–99 to 1999–2000. However, it did not adequately delineate the increased time drivers spent on mandated activities from other non-mandated activities that may have caused an increase in bus driver hours, such as using an alternative route due to inclement weather. Therefore, it could not specifically identify increased time related to the mandated activities. Fresno Unified School District claimed that its routes increased by approximately eight minutes because of the "pupil escort requirement," resulting in a cost of approximately $11,000. The Dinuba Unified School District attributed a five-minute increase in route times to ensuring that students complied with boarding and exiting procedures, for a cost of approximately $4,500. Yet, neither of these districts can support these incremental time increases and thus the amounts claimed.

Several school districts claimed reimbursement for incremental time increases for their bus drivers, but did not conduct time studies to support their claims.

Indeed, the language in the commission's guidelines appears to have provided opportunities for school districts to exercise broad discretion regarding what is required for adequate supporting documentation. Specifically, although one section of the guidelines appears to be specific regarding supporting documentation, another related section gives broad discretion, according to Mandated. For example, the guidelines approved by the commission state that all costs claimed must be traceable to source documents. The guidelines provide examples, such as employee time records, that school districts must use to show

evidence of the validity of such costs and their relationship to the state-mandated program. When school districts claim employee salaries and benefits, the guidelines require that they identify the employees or the classifications of the employees involved, describe the mandated functions performed, and specify the time devoted to each activity. The guidelines also state that districts may claim costs for the average number of hours devoted to a reimbursable activity if that claim is supported by a documented time study. However, a separate section of the guidelines states that declarations and worksheets also are considered to be supporting documents.

Mandated believes that school districts are allowed considerable discretion as to how they support costs claimed.

Mandated believes that school districts are allowed considerable discretion as to how they support costs and that the guidelines give claimants the authority to use source documents other than activity reports and time studies. Commission staff told us their intent in drafting the language stating that school districts could claim the average number of hours devoted to a reimbursable activity, was that such claims would need to be supported by documented time studies. However, the discussion of other kinds of supporting documents in another part of the guidelines has led to a different interpretation of what is acceptable than what commission staff intended.

According to the Controller, although documents such as declarations and worksheets are permitted, they need to be supported with "contemporaneous" data. Yet, during the development of the guidance, the Controller did not address this concern and later issued claiming instructions that did not clarify the Controller's position on this issue.

THE COMMISSION DID NOT IDENTIFY THE TRUE FISCAL IMPACT OF THE MANDATE UNTIL THREE YEARS AFTER THE LAW WAS PASSED

The Legislature was not aware of the magnitude of the fiscal impact of its action when it passed the 1997 law that comprises the majority of the School Bus Safety II mandate. Three different entities that analyzed the 1997 law before its passage believed that it would not be a state mandate and thus the State would not have to reimburse the districts' costs. Further, these entities advised the Legislature that annual costs would be no more than $1 million, considerably less than the $67 million in annual costs that the commission is now estimating. This misperception of the likely costs prevailed until January 2001, when the

commission finally released a statewide cost estimate. Although the commission is required to follow a deliberate and often time-consuming process when determining whether a test claim is a state mandate and adopting a statewide cost estimate, it appears that it could have avoided a delay of more than 14 months. Consequently, the Legislature did not have the information necessary to act promptly to resolve the issues of possible concern previously discussed in this report.

Before the Law Was Passed, Three Different Entities Estimated Its Annual Costs Would Not Exceed $1 Million and That These Costs Would Not Be Reimbursable

Instead of the $67 million in annual costs that the commission is now estimating, three entities that analyzed the 1997 law before its passage advised the Legislature that annual costs would be no more than $1 million.

When analyzing the potential fiscal impact of the 1997 School Bus Safety II law before its passage, the Assembly and Senate appropriations committees and Finance estimated initial costs of $600,000 to $1 million. Additionally, ongoing costs were expected to be no more than $1 million a year. Each of these entities used slightly different assumptions in reaching its estimate. The Assembly committee estimated costs based on 900 school districts, stating that, "While the costs to a single school district to prepare and implement a transportation safety plan are probably minor, these costs multiplied by 900 are likely to exceed $1 million." The Senate committee stated in its analysis that "about 600 public school districts operate a pupil transportation program," and estimated that it could cost each district $1,000 to develop a transportation safety plan, resulting in a total initial cost of $600,000. Although the Assembly committee did not comment on ongoing costs, the Senate committee mentioned that "presumably" there would be "lesser" ongoing costs. Finance estimated that approximately 1,000 school districts have transportation programs, and that initial costs would be more than $700,000. Finance further stated that if each school district spends $1,000, on average, "to revise plans and implement detailed procedures to track pupils and their assigned stops, costs would total approximately $1 million annually." Table 6 on the following page presents a summary of the costs estimated by the three fiscal bodies.

TABLE 6

Estimates of the Costs of the 1997 School Bus Safety II Law Before Its Passage

Entity	Estimated Costs
Assembly Committee on Appropriations	Initial costs in excess of $1 million. No mention of ongoing costs.
Senate Appropriations Committee	Initial costs of $600,000 with lesser ongoing costs.
Department of Finance	Initial costs in excess of $700,000 with annual ongoing costs of $1 million.

These parties believed at that time that no state-imposed mandate existed. In its analysis, the Assembly committee stated that the law was not a state-mandated local program. The Senate committee reasoned that because the requirements of the law were imposed on both public and private schools, the costs incurred by the public schools would not be reimbursable by the State. This view assumed the new law would impact not just the State's public schools but its private schools as well, and a new law is not a state mandate if it imposes requirements on both public and private entities. Finance's analysis stated that because the mandate was imposed on both public and private schools, the costs borne by school districts "probably would not be state reimbursable."

A final entity, the Legislative Counsel, is required by California Government Code, Section 17575, to determine if a mandate exists before the passage of a law. In this instance, the Legislative Counsel did not designate the proposed 1997 law as constituting a state-reimbursable mandate. However, the government code states that the determination of the Legislative Counsel "shall not be binding on the commission in making its determination" of whether a mandate exists. The final authority for determining whether a law is a mandate rests with the commission.

Although several entities believed that the 1997 law did not constitute a state-reimbursable mandate, the final authority for determining whether a mandate exists rests with the commission.

In this case, the commission determined that a mandate existed because it believed that the "legislation imposes unique requirements on school districts that do not apply generally to all residents and entities of the State." When we asked commission staff why the commission did not believe the public and private school issue was relevant, the staff cited *Long Beach Unified School Dist. v. State of California* (1990) 225 Cal.App.3d 155, 172, stating that in this case, the court found that, "although numerous private schools exist, education

in our society is considered to be a peculiarly governmental function" (*Cf. Carmel Valley Fire Protection Dist. v. State of California, supra,* 190 Cal.App.3d [521] at p. 537). Staff indicated that using this reasoning, the commission concluded that it did not matter whether the law affected both public and private schools because education overall is viewed as a governmental function. Further, commission staff stated that this governmental function is carried out by local agencies to provide service to the public and that education is considered to be public, which constitutes a "program" within the meaning of the mandate's requirements. Thus, the commission did not believe the applicability of the law to private schools precluded it from being deemed a state mandate.

The Commission Could Have Avoided a More Than 14-Month Delay in Its Development of a Statewide Cost Estimate

The commission uses a standard timeline—set forth in regulation—to hear and decide the disposition of test claims, to adopt guidelines, and to develop a statewide cost estimate. In certain circumstances, this timeline can be extended to allow interested parties and affected state agencies additional time for review and comments. For example, any interested party or affected state agency may request an extension of time before the date set for filing responses. The request must explain the reasons an extension is necessary, propose a new date, and be approved by the commission. In addition, any party may request a postponement of a hearing regarding a test claim, guidelines, or a statewide cost estimate, although such postponements are subject to the same conditions as a request for an extension of time.

The commission took more than three years to complete what should have been an 18-month process.

In the case of the School Bus Safety II mandate, the commission took more than three years to complete what should have been an 18-month process.[3] In December 1997, shortly after the October 1997 School Bus Safety II law was passed, a school district filed a claim with the commission asserting that the requirements of the law constituted a state-reimbursable mandate. More than a year and a half passed before the commission issued a statement of decision in July 1999, concluding that the 1997 law, as well as the related 1994 law, constituted a mandate. In November 1999, the commission approved the guidelines of the mandate, and in January 2001 it adopted the statewide cost estimate.

[3] As explained in the Introduction, this timeline varied depending upon whether or not the test claim was disputed. The timeline that was applicable for this mandate was 18 months because a state agency disputed the claim.

We found two instances in which the commission allowed unnecessary delays, for a total of more than 14 months. Soon after it received the December 1997 test claim, the commission approved a request by Finance for an extension of nearly 4 months to analyze and, if necessary, oppose the test claim. According to regulations, if no comments are filed by state agencies such as Finance, the commission has 110 days to complete its analysis on the test claim and issue a proposed statement of decision. Because Finance did not file a letter of opposition by May 1998, the date when its comments were due, the commission should have issued its proposed statement of decision in September 1998. However, the commission did not complete its analysis and issue a proposed statement of decision until July 1999—more than 10 months late.

Commission staff cited a backlog of test claims as one of the factors causing a more than 10-month delay in issuing the proposed statement of decision on the mandate.

According to commission staff, several factors contributed to this delay: a backlog of test claims for other mandates, a backlog of disputed claims, and an application from a county for a finding of significant financial distress. The last factor resulted in staff being directed away from other work in order to complete the application within a statutory deadline. However, we find this more than 10-month delay particularly questionable as the commission could have completed the bulk of its analysis during the 4 months in which it was waiting for Finance to comment on the School Bus Safety II mandate. The commission's delay in preparing the analysis resulted in delays in the development and approval of the guidelines and the statewide cost estimate.

The delay of 4 months in developing the statewide cost estimate could have been prevented as well. Although the districts were required to submit their reimbursement claims to the Controller in early June 2000, commission staff did not request the claims data from the Controller until late October 2000. During these 4 months, they could have been using the data to develop the statewide cost estimate. Commission staff stated that they postponed requesting the data because had they received the data in June, there would not have been enough time for the commission to adopt an estimate by July 2000, the month in which such an estimate could have been included in the Legislature's bill to fund state mandate claims (claims bill). Commission staff also stated that they did not start work on the statewide cost estimate until late October 2000, in time for the commission to adopt it for inclusion in the 2001 claims bill, which is introduced in January or February of the following year.

Consequently, the commission did not hold a pre-hearing conference to present the statewide cost estimate until late October 2000, when it obtained the claims data, and did not hold a hearing and adopt the estimate until late January 2001. Although we recognize that commission staff timed their efforts to ensure that the estimate would be included in the 2001 claims bill, we believe it is important that the commission identify the potential costs of statewide mandates as promptly as possible and notify the Legislature so the Legislature is aware of when the costs of a mandate differ significantly from what it initially expected. In this instance, the mandate's significant costs prompted such concern in the Legislature that it enacted state law to prohibit payment of the claims until this audit is complete. Had the commission followed its own timelines, the Legislature could have been aware of the fiscal impact of the mandate more than 14 months earlier and could have acted to resolve the issues of potential concern. During those months, school districts may have incurred costs for requirements the Legislature may decide are unnecessary.

Commission staff believe that waiting for actual reimbursement claims and using this data to estimate costs results in more accurate estimates; however, they have not sought changes to the regulations to include sufficient time to receive the claims data.

Additionally, we noted that the commission uses an additional step that is not reflected in the timeline in either prior or current regulations. To develop the statewide cost estimate, the commission uses actual claims data reported to the Controller. State law requires that the Controller issue claiming instructions to school districts within 60 days of receiving the adopted guidelines from the commission. School districts then have 120 days to submit reimbursement claims to the Controller. Therefore, to use actual claims data, the commission must wait 180 days before it can start developing the statewide cost estimate. Neither the 18-month process that the School Bus Safety II mandate went through nor the current 365-day mandate process provides time for this. Instead, the current regulations indicate that the commission is to develop the statewide cost estimate within 32 days of adopting the guidelines. Commission staff recognize that waiting for actual claim data is inconsistent with the timeline. However, commission staff believe that waiting for actual reimbursement claims and using this data to estimate costs results in more accurate estimates. Nevertheless, commission staff have not sought changes to the regulations to include sufficient time for waiting for the claims data.

RECOMMENDATIONS

The Legislature should amend the parameters and guidelines through legislation to more clearly define activities that are reimbursable and to ensure that those activities reflect what the Legislature intended. The guidelines should clearly delineate between activities that are required under prior law and those that are required under the mandate. Additionally, the guidelines should specifically clarify the extent, if any, to which the following costs are reimbursable:

- Bus driver, teacher, and other district personnel time spent ensuring compliance with boarding and exiting procedures.
- Costs related to ensuring that students board the appropriate school buses.
- Costs related to ensuring compliance with school bus boarding and exiting procedures for high school students.

To ensure that the State's interests are fully represented in the future, the commission should ensure that all relevant state departments and legislative fiscal committees are provided with the opportunity to provide input on test claims and parameters and guidelines, and it should follow up with entities that have indicated they would comment, but did not. Additionally, the commission should notify all relevant parties, including legislative fiscal committees, of the decisions made at critical points in the process, such as the test claim statement of decision, the adoption of the parameters and guidelines, and the adoption of the statewide cost estimate.

Further, the commission should ensure that it carries out its process for deciding test claims, approving parameters and guidelines, and developing the statewide cost estimate for mandates in as timely a manner as possible. If the commission believes it necessary to use actual claims data when developing the statewide cost estimate, it should consider seeking regulatory changes to the timeline to include the time necessary to obtain the data from the Controller.

Finally, school districts should ensure that they have sufficient support for the costs they have claimed. In addition, the commission should work with the Controller, other affected state agencies, and interested parties to make sure the language

in the guidelines and the claiming instructions reflects the commission's intentions as well as the Controller's expectations regarding supporting documentation.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

ELAINE M. HOWLE
State Auditor

Date: March 28, 2002

Staff: Karen L. McKenna, CPA, Audit Principal
Ken L. Willis, CPA
Joe Azevedo
Fernando Valenzuela

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Agency's comments provided as text only.

Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

March 15, 2002

Ms. Elaine M. Howle
State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Re: Response to Bureau of State Audit's Draft Report on the
School Bus Safety II Program

Dear Ms. Howle:

Thank you for the opportunity to respond to the Bureau of State Audit's Draft Report, "School Bus Safety II: New State Law Intended to Make School Bus Transportation Safer Is Costing More Than Expected." We appreciate your accurate description of the mandate reimbursement process and the Commission's quasi-judicial role in it. This will help increase overall awareness and understanding of the process.

We agree with the factual findings of how the process worked for the School Bus Safety program. As discussed below, we will use the findings and recommendations to look for opportunities to improve our processes.

Recommendation: *To ensure that the State's interests are fully represented in the future, the commission should ensure that all relevant state departments and legislative fiscal committees are provided with the opportunity to provide input on test claims and parameters and guidelines, and it should follow up with entities that have indicated they would comment, but did not. Additionally, the commission should notify all relevant parties, including legislative fiscal committees, of the decisions made at critical points in the process, such as the test claim statement of decision, the adoption of parameters and guidelines, and the adoption of the statewide cost estimate.*

Response: The active participation of all parties is extremely important in the mandate determination process. As you correctly note, there is no requirement that state agencies participate. Nevertheless, Commission staff will be more diligent in encouraging participation from state agencies, including follow-up with agencies that do not respond to our requests for comment. During the past year, the Commission has implemented changes to our mailing list procedures to increase the number of state agencies that are invited to comment on new test claims. In addition, during this audit, we verified that the Department of Education is included on the mailing lists for all test claims relating to schools.

On March 21, 2002, together with Legislative Analyst's Office staff, Commission staff is conducting the second annual legislative staff-training program on mandates and the legislative process. Commission staff presentations will be on mandates law and the Commission's role in the mandates process. We will consult with legislative fiscal committee staff to determine the best way to provide notice and an opportunity for them to provide input on test claims, parameters and guidelines, and statewide cost estimates.

Recommendation: *The commission should ensure that it carries out its process for deciding test claims, approving parameters and guidelines, and developing the statewide cost estimate for mandates in as timely a manner as possible. If the commission believes it necessary to use actual claims data when developing the statewide cost estimate, it should consider seeking regulatory changes to the timeline to include the time necessary to obtain the data from the Controller.*

Response: The Commission will review its processes and resources for completing test claims to look for ways of reducing the time it takes to complete a test claim. The Commission will also review both the methodology and timelines for developing statewide cost estimates. Following this review, the Commission will take responsive steps, including amending its regulations as appropriate.

Recommendation: *The commission should work with the Controller, other affected state agencies, and interested parties to make sure that the language in the guidelines and the claiming instructions reflects the commission's intentions as well as the Controller's expectations regarding supporting documentation.*

Response: The Commission will initiate meetings with the State Controller's Office, other affected state agencies and interested parties specifically to discuss documentation requirements. In addition, the Commission will continue to work with the parties, through workshops, prehearings, and other communications, to clarify reimbursable activities consistent with the implementing legislation. This may assist in achieving a higher level of state agency participation in the mandates process.

The Commission is committed to improving the process for determining whether new statutes or executive orders are reimbursable state-mandated programs, and will keep you informed of revisions to our process.

Sincerely,

(Signed by: Paula Higashi)

PAULA HIGASHI
Executive Director

Agency's comments provided as text only.

State Controller's Office
Kathleen Connell, State Controller
300 Capitol Mall, Suite 1850
Sacramento, CA 95814

March 18, 2002

Elaine M. Howle
State Auditor
California State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

Thank you for the opportunity to respond to the draft report dealing with the mandated School Bus Safety II program. The State Controller's Office (SCO) is in agreement with the recommendation stated in the report.

The SCO has worked with the Commission on State Mandates (COSM) and interested parties in providing greater specificity to the *Parameters and Guidelines* and will continue to do so in order to provide greater clarity in defining allowable costs and minimizing potential follow-up issues that may arise at a later date.

The SCO agrees that claimed costs should be supported with source documents that show evidence of the validity of such costs and their relationship to the allowable reimbursable activities. A source document is a contemporaneous document created for the event or activity in question, such as employee time records or time logs, sign-in sheets, invoices, and receipts. Declarations and worksheets can corroborate the evidence in source documents but cannot be a substitute for them.

The SCO has attempted to clarify this distinction through verbal testimony, at the various COSM pre-hearing and at the COSM hearing held in January 2002. In addition, the SCO will recommend that subsequent *Parameters and Guidelines* contain appropriate language to provide greater clarity in resolving this issue.

If you have any questions, please contact Walter Barnes, Chief Deputy Controller, Finance, at 445-3028.

Sincerely,

(Signed by: Kathleen Connell)

KATHLEEN CONNELL
Controller

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Agency's comments provided as text only.

Ceres Unified School District
P. O. Box 307
Ceres, California 95307

March 13, 2002

Elaine M. Howle
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

The Ceres Unified School District response to your School Bus Safety II mandate report is provided below:

The Ceres Unified School District's estimate of two minutes per stop was prepared by the Director of Transportation based upon personal observation and extensive discussions with all bus drivers. The District believes the only way to obtain precise costs is to document the following elapsed times:

- From the time the bus stops at a bus stop until the students are allowed to begin loading or unloading. This actually measures the time it takes for traffic to clear sufficiently to engage the flashing lights safely.

- From the time the door closes and the driver turns off the flashing lights until the bus leaves the stop. This activity measures the time it takes for traffic to clear before the bus can leave the stop safely.

Once elapsed times are documented at a representative number of stops, these times should be averaged and multiplied by the total number of stops to determine the total increased time. The total increased time should then be multiplied by the average driver salary/benefit cost and the cost per hour to operate a bus to obtain total mandated cost.

The District did not develop precise documentation because of the time required to do so. However, since the audit team did not accept the objective opinion of professional District staff, the District will document costs as outlined above and submit claims based upon this documentation.

If you have any questions about the above response please contact me at (209)538-9439.

Sincerely,

(Signed by: Jack Rudd)

Jack Rudd
Assistant Superintendent Business Services

Agency's comments provided as text only.

Dinuba Unified School District
1327 East El Monte Way
Dinuba, California 93618

California State Auditor
Elaine M. Howle
555 Capital Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

We have reviewed the draft copy of your report on the audit of School Bus Safety II mandate. We appreciate the opportunity to review this report and provide comment and a response.

Our comments:

In response to your report of March, 2002 district staff met to address your audit suggestions as found in the section of the report on "supporting documentation".

A time study will be done for two weeks by bus drivers during their routes. The time necessary for red light stops and pupil escort will be timed and recorded. The amount of time will be calculated and averaged. This information will provide us with documentation needed to support our School Bus Safety II claim.

If any further information is needed, please do not hesitate to call either myself or Anne MacDonald, Chief Fiscal Services Officer, at 559-595-7200 ext. 208.

Sincerely,

(Signed by: Scott Meier)

Scott Meier, Ed.D.
District Superintendent

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Agency's comments provided as text only.

Elk Grove Unified School District
9510 Elk Grove-Florin Road
Elk Grove, CA 95624

March 19, 2002

Ms. Elaine M. Howle, State Auditor*
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Re: Elk Grove Unified School District's Response to Draft Audit
School Bus Safety II Mandated Program

Dear Ms. Howle:

The Elk Grove Unified School District's ("Elk Grove") response to the audit performed by the Bureau of State Audits ("BSA") regarding the *School Bus Safety II* program follows.

I. Overview of the *School Bus Safety I* and *School Bus Safety II* test claims and the Mandate Determination Process

On February 24, 1994, the Commission on State Mandates determined that sections of the Education and Vehicle Codes impose reimbursable state-mandated activities upon school districts under the *School Bus Safety I* test claim. Specifically, the Commission found that the activities associated with providing instruction regarding school bus safety before school activity trips, the maintenance of certain documentation related to school bus safety, the costs associated with purchasing hand-held "Stop" signs, and the costs associated with storing such signs are reimbursable.

On July 29, 1999, the Commission determined that amended sections of the Education and Vehicle Codes impose reimbursable state-mandated activities upon school districts under the *School Bus Safety II* test claim. Specifically, the Commission found that the activities associated with instructing pre-kindergarten and kindergarten pupils regarding school bus safety, preparing, revising, and implementing transportation safety plans, and providing training to school district staff regarding new requirements and modifying district policies and procedures accordingly are reimbursable.

Overview of the Mandate Determination Process

Under current mandates law, in order for a statute or executive order, which is the subject of a test claim, to impose a reimbursable state mandated program, the language: (1) must impose

*California State Auditor's comments begin on page 57.

a "program" upon local governmental entities; (2) the program must be new, thus constituting a "new program," or it must create an increased or "higher level of service" over the former required level of service; and (3) the newly required "program" or "increased level of service" must be state mandated. Upon finding that the test claim legislation imposes reimbursable state-mandated activities upon school districts or local entities, the Commission on State Mandates adopts parameters and guidelines. Parameters and guidelines provide a listing of the activities that the Commission found to impose reimbursable state-mandated activities upon a claimant and details how to support claims for reimbursement. Upon adoption of the parameters and guidelines, the State Controller issues claiming instructions, which included a copy of the parameters and guidelines attached to claiming forms that must be completed to receive reimbursement.

The Commission on State Mandates found that the *School Bus Safety I* and *School Bus Safety II* legislation imposed reimbursable state-mandated activities upon school districts under the process outlined above. The parameters and guidelines for *School Bus Safety I*, which were adopted in 1994, were amended to add in the activities found reimbursable under the *School Bus Safety II* test claim in 1999. The current version of the *School Bus Safety I* and *II* parameters and guidelines were adopted on November 30, 1999 and effective December 1, 1999.[1]

II. The Activities Claimed by Elk Grove Unified School District Related to Ensuring Compliance with the District's Transportation Safety Plan are Proper Under the *School Bus Safety II* Mandate Program

BSA alleges that the Commission on State Mandates' parameters and guidelines are deficient because they do not address requirements of prior law. Specifically, BSA states:

> "Moreover, although the guidelines specify that ensuring pupil compliance with school bus boarding and exiting procedures is reimbursable, they do not make a clear distinction between a school district's obligations under prior law and the new obligations placed on school districts with regard to ensuring compliance with school bus boarding and exiting procedures."

Education Code section 39831.3 is the basis for claiming the costs associated with bus driver and teacher time related to implementing the transportation safety plan. Section 39831.3, subdivision (a)(3), provides:

[1] The school bus safety parameters and guidelines are known as *School Bus Safety II* even though they incorporate the activities found to be reimbursable under the *School Bus Safety I* test claim.

> "(a) The county superintendent of schools, the superintendent of a school district . . . shall prepare a transportation safety plan containing procedures for school personnel to follow to ensure the safe transport of pupils. . . . The plan shall address all of the following: . . . (3) *Boarding and exiting a school bus at a school or other trip destination*. . . ."

The Commission on State Mandate's statement of decision properly lists Education Code section 39831.3, subdivision (a)(3), as reimbursable when it provides:

> "Ensuring pupil compliance with school bus boarding and exiting procedures. (Ed. Code, § 39831.3, subds. (a), (a)(1), (a)(2)(A), (a)(3), and (b) [is a reimbursable activity]."

Statutes of 1997, Chapter 739, *added* section 39831.3 to the Education Code in 1997. Prior law neither required school districts to prepare, revise, and implement a transportation safety plan nor that such plans contain procedures addressing the boarding and exiting of school buses at a school or other trip destination. As the BSA report properly noted, Government Code section 17565 provides that to the extent a school district or other local entity voluntarily performs activities that are subsequently mandated, those activities are reimbursable. If school districts were *voluntarily* engaging in activities later found by the Commission to be state mandated, then those activities are reimbursable in accordance with Government Code section 17565. Therefore, the Commission's statement of decision for the *School Bus Safety II* test claim did not need to clarify what school districts were doing before the enactment of section 39831.3 since districts were not required to engage in any activities related to preparing, revising, or implementing transportation safety plans. 1

Based on the foregoing, school districts were given broad latitude by the Legislature to implement their transportation safety plans. Moreover, since prior law did not require school districts to perform activities related to ensuring pupils follow district school bus boarding and exiting procedures at a school or other site, all costs associated with ensuring such compliance is reimbursable.

III. State Agencies had Opportunities to Comment on the Clarifications Suggested by Mandated Cost Systems, Inc. and the Commission on State Mandates Adopted Mandated's Interpretation of the *School Bus Safety II* Parameters and Guidelines

The BSA report also addresses the attempt by Mandated Cost Systems, Inc. ("MCS") to clarify in the parameters and guidelines the extent to which bus driver and teacher time is reimbursable under the *School Bus Safety II* mandate program. In response to MCS' requested change, the Commission on State Mandates decided *not* to include such clarification, but rather stated its intent that the parameters and guidelines should be broad to avoid limiting reimbursement in any way.

During the parameters and guidelines hearing, at which representatives from the Department of Finance and State Controller were present, the Commission addressed the broad nature of the language included in the parameters and guidelines as it related to ensuring pupil compliance with boarding and exiting procedures:

> "Mr. Minney (attorney for MCS) wanted clarification that the language in staff's proposal covered the monitoring of students coming on and off the bus in compliance with the transportation safety plan. He noted that staff had rejected his request to add this language, claiming that it was already covered. Mr. Scribner (CSM staff counsel) explained that staff was attempting to cover both large and small districts by keeping the language broad enough to include a variety of activities. He agreed that Mr. Minney's activity was covered by Staff's proposal."[2]

2 Even in light of this information, the BSA report faults our district for claiming costs associated with bus driver and teacher time to ensure compliance with the District's transportation safety plan. Please note that the Commission on State Mandates considered modifying the parameters and guidelines to provide specific language related to bus driver and teacher time, but *voted* not to based upon fears that the specificity requested would be interpreted as too limiting. This fact supports the actions taken by our district. The parameters and guidelines provide broad guidelines for the reimbursable activities since it is conceivable that no two districts will adopt or implement the same transportation safety plan.

Based on the foregoing, we believe we properly captured all costs associated with the *School Bus Safety II* mandate program in accordance with the Education Code, the Commission on State Mandates' statement of decision and parameters and guidelines, and the State Controller's claiming instructions.

IV. THE COSTS CLAIMED BY ELK GROVE UNIFIED SCHOOL DISTRICT ASSOCIATED WITH ENSURING HIGH SCHOOL STUDENTS COMPLY WITH THE TRANSPORTATION SAFETY PLAN ARE SUPPORTED BY THE PARAMETERS AND GUIDELINES

3 The BSA report states in several sections that costs associated with ensuring high school students comply with the transportation safety plan and follow school bus boarding and exiting procedures are not reimbursable under the *School Bus Safety II* mandate program. This conclusion is incorrect when the parameters and guidelines are viewed as a complete document and interpreted in light of the Commission on State Mandates' statement of decision, Education Code section 39831.3, and the State Controller's claiming instructions.

[2] Commission on State Mandates minutes from the November 30, 1999 hearing on the *School Bus Safety II* parameters and guidelines.

The *School Bus Safety II* parameters and guidelines in section I. Summary of the Mandate, provide:

> "Statutes of 1997, Chapter 739 . . . added Education Code section 39813.3, which required school districts and county offices of education to prepare a transportation safety plan, to follow the transportation safety plan, to revise the transportation safety plan as required, and to keep a copy of the current transportation safety plan at each school subject to the plan."

In addition, in section IV. Reimbursable Activities, G. Implementing Transportation Safety Plans, the parameters and guidelines provide:

> "Determining which pupils require escort . . . , and ensuring pupil compliance with school bus boarding and exiting procedures for pupils in pre-kindergarten through grade 8 (Ed. Code, § 39831.3, subds. (a), (a)(1), (a)(2)(A), (a)(3), and (b)). . . ."

The statement of decision for the *School Bus Safety II* mandate program properly cites "ensuring pupil compliance with school bus boarding and exiting procedures" as a reimbursable activity. This broad language comes from Education Code section 39831.3, subdivision (a). Parameters and guidelines are based on the findings outlined in the statement of decision and are read as a whole. Since the statement of decision and section I. Summary of the Mandate of the parameters and guidelines properly cite the activities outlined in section 39831.3, subdivision (a)(3), as reimbursable, the fact these activities are not referenced under section IV. Reimbursable Activities does not preclude claimants from claiming costs associated with high school students.

The State Controller's claiming instructions properly include the broad language necessary to capture the costs associated with ensuring high school students comply with school bus boarding and exiting procedures as required by Education Code section 39831.3, subdivision (a)(3). On Form SBS/1, the Direct Costs – Reimbursable Components section provides reimbursement for "Implementing Transportation Safety Plans." This broad statement includes *all* of the activities outlined in section 39831.3 since this section requires school districts to develop and implement such plans. Moreover, section 39831.3 *does not limit* the activities associated with ensuring student compliance with school bus boarding and exiting procedures to just pupils in pre-kindergarten through eighth grade. Instead, section 39831.3 requires such compliance for *all pupils* boarding and exiting a school bus at a school or other trip destination, i.e., at designated school bus stops or activity trip destinations. 3

Based on the foregoing, our district properly claimed costs associated with ensuring high school students comply with school bus boarding and exiting procedures as is required by Education Code section 39831.3, the Commission on State Mandates' statement of decision and parameters and guidelines, and the State Controller's claiming instructions.

V. THE CLAIMS SUBMITTED BY ELK GROVE UNIFIED SCHOOL DISTRICT ARE PROPERLY SUPPORTED WITH DOCUMENTATION AS REQUIRED BY THE PARAMETERS AND GUIDELINES AND CLAIMING INSTRUCTIONS

Throughout the BSA report dealing with our claimed costs under the *School Bus Safety II* mandate program, mention is made of the "lack of supporting documentation." For example, the BSA report provides:

> "Elk Grove . . . relied upon uncorroborated data to support the majority of the costs for which it filed. For example, Elk Grove used a signed worksheet to support approximately $601,000 it claimed for bus drivers monitoring students boarding and exiting buses and ensuring students board the appropriate bus."

The general theme is that the costs claimed by this district related to bus driver and teacher time to ensure compliance with the District's transportation safety plan were not properly supported with documentation. Specifically, the BSA report contends that the activities associated with ensuring students board the proper bus and that students follow the school bus boarding and exiting procedures are supported by documentation that does not substantiate the costs claimed. Regardless of the position taken by the BSA in its report, the documentation submitted by this district to support its claims were proper under the parameters and guidelines and the claiming instructions, which are required to be derived from the parameters and guidelines under the Government Code.[3]

4

The parameters and guidelines adopted by the Commission on State Mandates include two separate sections relating to supporting documentation that may be submitted to support a claim for reimbursement under the *School Bus Safety II* mandate program. Under section V. Claim Preparation and Submission, Supporting Documentation, A. Direct Costs, 1. Employee Salaries and Benefits, the parameters and guidelines provide:

[3] Government Code section 17558, subdivision (b), provides: "The claiming instructions shall be derived from the statute or executive order creating the mandate and the parameters and guidelines adopted by the commission." Indeed, claiming instructions that go beyond the language included in the parameters and guidelines are invalid and subject to challenge and revision by the Commission on State Mandates.

> "Identify the employee(s) and/or the classification of the employee(s) involved. Describe the mandated functions performed and specify the amount of time devoted to each reimbursable activity by each employee, productive hourly rate, and related fringe benefits. The average number of hours devoted to each reimbursable activity in these Parameters and Guidelines may be claimed if supported by a documented time study."

Our district and MCS properly documented time according to this section. To arrive at the costs associated with ensuring students comply with school bus boarding and exiting procedures, the classification of the employee performing the activity was determined and then the amount of time the classification spent on the reimbursable activity was ascertained. A time study is not required under these claims since it did not submit claims based on the average time spent on certain reimbursable activities. The *School Bus Safety II* parameters and guidelines also provide guidance regarding the documentation necessary to support a reimbursement claim in section VI. Supporting Documentation, which provides: (4)

> "For audit purposes, all costs claimed must be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that show evidence of the validity of such costs and their relationship to the state mandated program. . . ."

In accordance with the language provided in section VI. Supporting Documentation, this district provided worksheets outlining the costs associated with ensuring pupils board the appropriate bus and follow the District's school bus boarding and exiting procedures. The BSA report states that the use of such worksheets is inappropriate without a corresponding time study to corroborate the claimed costs. However, the clear language included in the parameters and guidelines do not require such corroboration. The parameters and guidelines *only* require a time study when a claimant submits reimbursement claims based on the *average number of hours spent on the reimbursable activity*. We did not determine our claimed amounts by deriving averages. Rather, we determined the time it took for an *employee classification*, e.g., bus drivers or teachers, to perform the reimbursable activities. Therefore, we were not obligated to perform a time study to document its claim under the clear language included in the parameters and guidelines. (4)

Moreover, assuming that all school districts in the state perform time studies, or as alluded to in the BSA report, provide contemporaneous time sheets describing the exact time and activity performed by each employee, the BSA fails to recognize the corresponding increase in mandate reimbursement process ("MRP") claims. Under the MRP, all entities claiming costs incurred to properly implement and effectuate mandated programs are entitled to claim the administrative costs associated with submitting their claims. If school districts performed the activities described by BSA (5)

to "ensure that they have sufficient support for the costs they have claimed," the annual MRP claim
5 would be substantially higher as a result. While there may be some cost savings as a result of producing contemporaneous daily time sheets to corroborate claims under the *School Bus Safety II* mandate program, the administrative costs claimed under the MRP claim could easily erase such savings.[4] The time and expense of documenting each employee's time and activities while that employee is engaging in the activity is not only high, but completely unworkable. The provision of educational programs in the state would suffer greatly if such time was required before school districts could claim costs under the *School Bus Safety II* mandate program.

Mention of the use of time studies is made throughout the BSA report. While in theory time studies for the reimbursable state-mandated activities imposed upon school districts under the *School Bus Safety II* test claim would be preferable, initially, time studies were not possible. On February 4, 2000, the State Controller released its initial claiming instructions for the *School Bus Safety II* mandated program. The State Controller noted that June 5, 2000 was the deadline for filing fiscal year 1996/97, 1997/98 and 1998/99 claims. This four-month window did not provide adequate time to track an entire year's costs. While a time study could have been conducted, no formal guidelines have ever been provided by the State Controller. In fact, the Controller's claiming instructions for the *School Bus Safety II* mandate program provided:

> *"In lieu of actual hours, an average numbers of hours devoted to each reimbursable activity can be claimed if supported by a documented time study.* At present, no instructions are available for performing a time study. Therefore, it is suggested that claimed be based on actual costs." *(Emphasis added.)*

6 This language effectively eliminated time studies as an option. We were left with declaration and worksheets as the only viable option for documenting actual costs for the initial deadline.

The BSA report also mentions that we conducted a time study for costs incurred in fiscal year 2000/01 related to bus driver time and that the time study costs were lower than the initial claimed costs. While the time study costs are more accurate than using worksheets or declarations, two reasons exist for the lower 2000/01 costs. First, in 2000/01 we were in the *second* year
7 of implementing the new *School Bus Safety II* mandate program and, therefore, were able to streamline the processes related to implementing the transportation safety plans. Second, by

[4] For example, Elk Grove would have to train 130 school bus drivers and 47 school sites on tracking responsibilities, maintaining time records, sending reminders, and follow-up to collect records. Clearly, the claim compilation time and cost would take away from student transportation services and school site educational duties.

2000/01 bus drivers had been implementing the new school bus boarding and exiting procedures for a year and naturally had become more efficient and adept at ensuring pupil compliance with the District's transportation safety plan.

Finally, the BSA report notes that we did not file costs associated with teacher time associated with the *School Bus Safety II* mandate program in fiscal year 2000/01. While the report is accurate that such costs were not claimed, it is not accurate regarding the reason these costs were not claimed. In light of the BSA report and the concerns outlined in the report concerning the high costs associated with the *School Bus Safety II* mandate program, we anticipate that language restricting teacher costs may be amended into the parameters and guidelines. Because of this likelihood, we believed the best course of action regarding its fiscal year 2000/01 claim for teacher costs was to wait and see if the Commission makes any amendments of this kind. 8

Based on the foregoing, we strongly believe that Elk Grove Unified School District supported its claims with documentation as required under the Commission on State Mandates' statement of decision and parameters and guidelines and the State Controller's claiming instructions.

If you have any questions regarding this response, please contact me at (916) 686-7744.

Sincerely,

(Signed by: Susan K. Burr)

Susan K. Burr
Assistant Superintendent, Business Services

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COMMENTS

California State Auditor's Comments on the Response From the Elk Grove Unified School District

To provide clarity and perspective, we are commenting on the Elk Grove Unified School District's (Elk Grove) response to our audit report. The numbers correspond to the numbers we have placed in Elk Grove's response.

(1) As we discuss on pages 13 through 20, there is wide variation in the interpretations of what activities are reimbursable. This fact alone is a clear indication that the guidelines do, in fact, need to be clarified. Further, as we discuss on page 24, it appears that school bus drivers were required before the mandate to monitor students, at least to some extent, as they boarded and exited school buses. Thus, we have recommended that the Legislature amend the guidelines to more clearly define activities that are reimbursable and to ensure that those activities reflect what the Legislature intended.

(2) Contrary to Elk Grove's assertion, our report does not fault the district for claiming costs associated with bus driver and teacher time to ensure compliance with the district's transportation safety plan. Instead, our report discusses that Elk Grove's claim reflects one consultant's approach and this approach has resulted in a significantly higher average cost per rider than that of other consultants. Further, as we discuss on page 22, Commission on State Mandates (commission) staff stated that the intent in drafting guidance for this component was to use the broadest and most comprehensive language possible. However, we found that this broad and comprehensive language has left the door open for a wide range of views. As a result, we have recommended that the Legislature amend the guidelines to more clearly define activities that are reimbursable and to ensure that those activities reflect what the Legislature intended.

(3) Elk Grove is mistaken when it contends that our report states in several sections that costs associated with ensuring high school students comply with the transportation safety plan and follow school bus boarding and exiting procedures are not reimbursable. We state on pages 27 and 28 that it *appears* these costs are ineligible. Elk Grove contends that the law that led to the mandate does not limit the boarding and exiting

requirement to just students in pre-kindergarten through eighth grade. However, commission staff told us that the guidelines the commission adopted are very clear in stating this component applies only to pre-kindergarten through eighth grade. Our report discusses both these perspectives on page 27 and recommends that the Legislature clarify whether costs related to high school students are reimbursable. Further, although Elk Grove points out that the claim form uses the broad language "Implementing Transportation Safety Plans," the claiming instructions for that component reflect the language in the parameters and guidelines. The claiming instructions state that "ensur[ing] compliance with school bus boarding and exiting procedures for pupils in pre-kindergarten through grade eight, inclusive" is reimbursable.

4 Elk Grove contends that it has proper documentation for the claims it submitted and that a time study was not required because it did not submit claims based on the average time spent on reimbursable activities. However, our review of its claim for fiscal year 1999–2000 found that the district based a majority of its claim on the average time spent on certain activities. Specifically, on pages 26 and 27 we state that to support $601,000 in bus driver costs, Elk Grove used a worksheet that indicated the transportation director's estimate of the *average* time bus drivers spend on various activities and applied it to information the district collects in reporting transportation data to the California Department of Education. Further, on page 28, we state that to support $939,000 claimed for time teachers spent ensuring students boarded the appropriate school buses, Elk Grove relied primarily on telephone surveys, which documented the employee classifications performing this activity, and applied assumptions about the *average* amount of time required to perform an activity to determine these costs. Finally, Elk Grove claimed $54,000 in teacher costs for school activity trips based on *average* time assumptions. As Elk Grove acknowledges in its response, the parameters and guidelines issued by the commission state that the average number of hours for a reimbursable activity may be claimed if supported by a documented time study. However, Elk Grove did not prepare any time studies for fiscal year 1999–2000, the year we reviewed.

5 Elk Grove states that increased administrative costs could easily erase savings that may result from producing contemporaneous daily time sheets. However, Elk Grove incorrectly asserts that our report indicates that school districts provide contemporaneous daily time sheets to support all costs claimed. On the contrary,

our report discusses on pages 26 through 28 that Elk Grove's use of worksheets and declarations as its only support for the amounts claimed was insufficient. The comment Elk Grove alluded to regarding contemporaneous data apparently comes from our discussion with the State Controller's Office (Controller) on page 30. The Controller stated that although documents such as declarations and worksheets are permitted, they need to be supported with "contemporaneous" data. However, as Elk Grove recognizes in its response, school districts are allowed to use time studies to compute the average number of hours devoted to a reimbursable activity. We believe that if properly conducted, a time study could be a cost-effective means of supporting the costs claimed.

6 Elk Grove correctly cites the claiming instructions from the Controller; however, we do not agree that this language effectively eliminated time studies as an option as Elk Grove contends. As we discuss on pages 26 through 28 of the report, Elk Grove claimed significant costs for bus drivers and teachers using time assumptions. Although instructions on time studies might have been helpful, the absence of them did not preclude Elk Grove from conducting a time study that would provide reasonable support for the costs that it claimed.

7 Although it acknowledges that time study costs are more accurate than using worksheets and declarations, Elk Grove asserts that streamlined processes and improved efficiency are responsible for the lower bus driver costs it claimed for fiscal year 2000–01. However, staff did not bring up either of these reasons when we discussed this issue at our exit conference. Further, as we discuss on page 27 of the report, when Elk Grove conducted a time study to support the amounts claimed for fiscal year 2000–01, it claimed reimbursement for bus driver time of $309,000—approximately one-half of the $601,000 it claimed for fiscal year 1999–2000. We find it highly questionable that streamlining and increased efficiencies could account for the entire decrease in bus driver time claimed. Unfortunately, because Elk Grove did not conduct a time study for fiscal year 1999–2000, it cannot demonstrate which portion of this reduction resulted from an improved method for capturing costs and which resulted from its other improvements.

8 Contrary to Elk Grove's contention, our report is accurate regarding the reasons why it did not claim teacher costs in fiscal year 2000–01. The discussion on pages 28 and 29 as to the reasons why these costs were not claimed accurately reflects

the comments made by Elk Grove staff and their consultant at our exit conference. In fact, our report discusses that one of the reasons that costs for teachers were not claimed was because the mandate was the subject of an audit and the consultant expected changes may occur with regard to what could be claimed.

Agency's comments provided as text only.

Fresno Unified School District
2309 Tulare Street
Fresno, California 93721-2287

March 15, 2002

Elaine M. Howle, State Auditor
California State Auditor
555 Capitol Mall, Suite 200
Sacramento, CA 95814

Dear Ms. Howle:

Below is the District's response to the School Bus Mandate II audit.

The District concurs that a time study was not done in 1999-2000 to show the actual time increase for this mandate. The District relied upon our professional judgment to come up with the estimate. However, we understand the auditor's comments and have completed a time study this past week. The time study containing a reasonable sampling of bus routes demonstrated that our actual costs equal or exceeded the claim amount. In the future, the District will ensure we have adequate support when claiming average number of hours.

If you have any questions please contact Jacquie Canfield, Fiscal Services Administrator at (559) 457-3907.

Sincerely,

(Signed by: Santiago V. Wood)

Santiago V. Wood, Ed. D
Superintendent

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Agency's comments provided as text only.

San Dieguito Union High School District
710 Encinitas Blvd.
Encinitas, CA 92024-3357

March 18, 2002

Elaine M. Howle*
State Auditor
Bureau of State Audits
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Re: San Dieguito Union High School District – School Bus Safety

Dear Ms. Howle:

I am in receipt of the excerpt of the draft audit report for the School Bus Safety II mandate.

After review of this rather limited and highly censored document, I feel there is not enough information directly related to the San Dieguito Union High School District to offer any comments regarding the audit report. 1

However, SDUHSD does agree with the recommendation that all agencies should have available any and all documentation supporting a mandated cost claim.

Perhaps after the complete document is offered for review we could make comments. We would welcome such an opportunity.

Sincerely,

(Signed by: David R. Bevilaqua)

David R. Bevilaqua
Controller

*California State Auditor's comments appear on page 65.

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COMMENTS

California State Auditor's Comments on the Response From the San Dieguito Union High School District

To provide clarity and perspective, we are commenting on the San Dieguito Union High School District's (San Dieguito) response to our audit report. The number corresponds to the number we have placed in San Dieguito's response.

1 The statutes governing our work require us to maintain strict confidentiality of information related to an audit until that audit is completed and released to the public. Thus, when an audit involves more than one entity, it is our practice to provide each entity with an excerpt of our draft report for comment. We include in the excerpt any information that is pertinent to the entity and remove any specific discussion that relates to other entities. Additionally, we briefed San Dieguito staff on the specific issues we found related to their claim and the context in which they would be presented in the report.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press