



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

December 31, 2024

Mr. Douglas Crancer, Chief Business Official
Galt Joint Union High School District
150 Camellia Way
Galt, CA 95632

Dear Mr. Crancer:

The State Controller's Office performed a review of costs claimed by Galt Joint Union High School District for the legislatively mandated Graduation Requirements Program (Chapter 498, Statutes of 1983) for the period of July 1, 2010, through June 30, 2014. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to confirming that the district properly identified the offsetting revenues requested by Education Code section 42238.24 for teacher salary and benefit costs.

The district claimed \$1,443,256 for the mandated program. Our review found that the entire amount is unallowable. The costs are unallowable because the district did not offset all the state funding that it received for teacher salary and benefit costs, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the district.

This letter contains an adjustment to costs claimed by the district. If you disagree with the finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to section 1185(c), of the Commission's regulations (Title 2, California Code of Regulations), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at <https://www.csm.ca.gov/request-form.php>.

Mr. Douglas Crancer
December 31, 2024
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If you have any questions regarding this report, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at 916-327-3138. Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/ac

Attachments

RE: S24-MCC-9033

Copy: Anna Trunnell, Superintendent
Galt Joint Union High School District
David Gordon, Superintendent of Schools
Sacramento County Office of Education
Elizabeth Dearstyne, Director
School Fiscal Services Division
California Department of Education
Susan Little, Director
Government Affairs Division
California Department of Education
Jessica Holmes, Program Budget Manager
Education Systems Unit
California Department of Finance
Melissa Ng, Principal Program Budget Analyst
California Department of Finance
Darryl Mar, Manager
Local Reimbursement Section
State Controller's Office
Everett Luc, Supervisor
Local Reimbursement Section
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2010, through June 30, 2014**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ²
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 309,166	\$ 309,166	\$ -
Total direct costs	309,166	309,166	-
Indirect costs	19,694	19,694	-
Total direct and indirect costs	328,860	328,860	-
Less: offsetting revenue	-	(9,019,552)	(9,019,552)
Subtotal	328,860	(8,690,692)	(9,019,552)
Audit adjustment to eliminate negative balance	-	8,690,692	8,690,692
Total program costs	<u>\$ 328,860</u>	-	<u>\$ (328,860)</u>
Less amount paid by the State ¹		-	
Allowable costs claimed in excess of amount paid		<u>\$ -</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits	\$ 313,904	\$ 313,904	\$ -
Total direct costs	313,904	313,904	-
Indirect costs	22,695	22,695	-
Total direct and indirect costs	336,599	336,599	-
Less: offsetting revenue	(3,048)	(9,025,045)	(9,021,997)
Subtotal	333,551	(8,688,446)	(9,021,997)
Audit adjustment to eliminate negative balance	-	8,688,446	8,688,446
Total program costs	<u>\$ 333,551</u>	-	<u>\$ (333,551)</u>
Less amount paid by the State ¹		-	
Allowable costs claimed in excess of amount paid		<u>\$ -</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ²
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries and benefits	\$ 366,280	\$ 366,280	\$ -
Total direct costs	366,280	366,280	-
Indirect costs	30,548	30,548	-
Total direct and indirect costs	396,828	396,828	-
Less: offsetting revenue	-	(6,327,120)	(6,327,120)
Subtotal	396,828	(5,930,292)	(6,327,120)
Audit adjustment to eliminate negative balance	-	5,930,292	5,930,292
Total program costs	<u>\$ 396,828</u>	-	<u>\$ (396,828)</u>
Less amount paid by the State ¹		-	
Allowable costs claimed in excess of amount paid		<u>\$ -</u>	
<u>July 1, 2013, through June 30, 2014</u>			
Direct costs:			
Salaries and benefits	\$ 355,341	\$ 355,341	\$ -
Total direct costs	355,341	355,341	-
Indirect costs	28,676	28,676	-
Total direct and indirect costs	384,017	384,017	-
Less: offsetting revenue	-	(9,566,351)	(9,566,351)
Subtotal	384,017	(9,182,334)	(9,566,351)
Audit adjustment to eliminate negative balance	-	9,182,334	9,182,334
Total program costs	<u>\$ 384,017</u>	-	<u>\$ (384,017)</u>
Less amount paid by the State ¹		-	
Allowable costs claimed in excess of amount paid		<u>\$ -</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ²
<u>Summary: July 1, 2010, through June 30, 2014</u>			
Direct costs:			
Salaries and benefits	\$ 1,344,691	\$ 1,344,691	\$ -
Total direct costs	1,344,691	1,344,691	-
Indirect costs	101,613	101,613	-
Total direct and indirect costs	1,446,304	1,446,304	-
Less: offsetting revenue	(3,048)	(33,938,068)	(33,935,020)
Subtotal	1,443,256	(32,491,764)	(33,935,020)
Audit adjustment to eliminate negative balance	-	32,491,764	32,491,764
Total program costs	<u>\$ 1,443,256</u>	-	<u>\$ (1,443,256)</u>
Less amount paid by the State ¹		-	
Allowable costs claimed in excess of amount paid		<u>\$ -</u>	

¹ Payment details current as of October 10, 2024.

² See Attachment 2, Review Results.

Attachment 2— Review Results July 1, 2010, through June 30, 2014

BACKGROUND

Chapter 498, Statutes of 1983 amended Education Code (EC) section 51225.3 to require that, beginning with the 1986-87 school year, no pupil shall receive a high school diploma without completing an additional science course above that which was required prior to the enactment of Chapter 498, Statutes of 1983. One year of science was required prior to Chapter 498, Statutes of 1983 and as a result of this legislation, two science courses are now required. The mandate specifies that the curriculum must include one course each of biological and physical science.

On January 22, 1987, the Commission on State Mandates (Commission) adopted its Statement of Decision finding that EC section 51225.3, as amended by Chapter 498, Statutes of 1983, imposed a reimbursable state mandated program upon school districts, by requiring school districts to provide an additional science course to students prior to their graduation from the twelfth grade.

On March 23, 1988, the Commission adopted the parameters and guidelines that establish the state mandate and define the reimbursement criteria. The parameters and guidelines have been amended several times since their adoption. The last amendment was adopted November 6, 2008, and applies to claims for January 1, 2005, and thereafter. The amended parameters and guidelines were corrected on December 18, 2008.

On July 25, 2011, the Department of Finance filed a Request for Parameters and Guidelines Amendment to identify offsetting revenues for teacher salary and benefit costs pursuant to EC section 42238.24.

On September 26, 2011, the Graduation Requirements Mandate Resolution Committee filed a request for postponement of the proceeding on the ground that EC section 42238.24 was the subject of a court challenge in *California School Boards Association v. State of California*. On June 19, 2012, the Commission staff placed the matter on inactive status pending resolution of the court case.

In 2012, the California State Legislature adopted the mandate block grant system as an alternative to filing reimbursement claims with the State Controller's Office. Beginning in fiscal year 2013-2014, the Graduation Requirements Program became part of the mandate block grant system.

On February 1, 2021, the Superior Court of California, County of Alameda, on remand of *California School Boards Association v. State of California*, resolved the remaining issues in the case by entering a judgment following a stipulation of the parties that Education Protection

Account funding from Proposition 30 is not offsetting revenue under EC section 42238.24.

On July 23, 2021, following a stay of the Department of Finance’s Request for Parameters and Guidelines Amendment pending the outcome of litigation in *California School Boards Association v. State of California*, the Commission adopted a Decision to amend Section IX., “Offsetting Revenue and Other Reimbursements,” to “incorporate the requirements of Education Code section 42238.24 . . . [Chapter 724, Statutes of 2010] for teacher salary and benefit costs incurred beginning October 19, 2010.”

**FINDING—
Underreported
offsetting revenues**

Galt Joint Union High School District reported a total of \$3,048 in offsetting revenue on its claim forms for the period of July 1, 2010, through June 30, 2014. We found that the district should have offset \$33,938,068 in state funding identified in EC section 42238.24 for teacher salary and benefit costs.

The district claimed \$1,443,256 (\$1,446,304 less \$3,048 in offsetting revenues) in salaries and benefits for Reimbursable Activity D (Increased cost to school district for staffing the new mandated science class) and related indirect costs for the review period.

Cost Component	Fiscal Year				Total
	2010-11	2011-12	2012-13	2013-14	
Salaries and benefits	\$ 309,166	\$ 313,904	\$ 366,280	\$ 355,341	\$ 1,344,691
Related indirect costs	19,694	22,695	30,548	28,676	101,613
Subtotal	328,860	336,599	396,828	384,017	1,446,304
Less offsetting revenue	-	(3,048)	-	-	(3,048)
Total	\$ 328,860	\$ 333,551	\$ 396,828	\$ 384,017	\$ 1,443,256

On July 23, 2021, the parameters and guidelines were amended to identify the offsetting revenues required by EC section 42238.24 for teacher salary and benefit costs, beginning October 19, 2010.

EC section 42238.24 states:

Costs related to the salaries and benefits of teachers incurred by a school district or county office of education to provide the courses specified in paragraph (1) of subdivision (a) of Section 51225.3 shall be offset by the amount of state funding apportioned to the district pursuant to this article, or in the case of a county office of education pursuant to Article 2 (commencing with Section 2550) of Chapter 12 of Part 2 of Division 1 of Title 1, and the amount of state funding received from any of the items listed in Section 42605 that are contained in the annual Budget Act. The proportion of the school district’s current expense of education that is required to be expended for payment of the salaries of classroom teachers pursuant to Section 41372 shall first be allocated to fund the teacher salary costs incurred to provide the courses required by the state.

We reviewed the district’s financial data at ed-data.org and identified the Local Control Funding Formula (LCFF)/Revenue Limit State Aid as follows:

Object Code	Type of Revenue	Fiscal Year				Total
		2010-11	2011-12	2012-13	2013-14	
8011	LCFF/Revenue Limit State Aid – Current Year	\$9,111,091	\$9,014,883	\$6,303,122	\$9,319,722	\$33,748,818
8019	LCFF/Revenue Limit State Aid – Prior Years	(91,539)	10,162	23,998	246,629	189,250
	Total	<u>\$9,019,552</u>	<u>\$9,025,045</u>	<u>\$6,327,120</u>	<u>\$9,566,351</u>	<u>\$33,938,068</u>

We determined that the total offsetting revenues exceed the district’s claimed salaries, benefits, and indirect costs for all fiscal years in the review period. All claimed salaries, benefits, and indirect costs are unallowable.

Criteria

Section IX., “Offsetting Revenues and Reimbursements,” of the parameters and guidelines states, in part:

. . . The following offsetting revenues are specifically identified for this program and shall be identified and deducted from this claim:

- Total science teacher salary and benefits costs, including related indirect costs, that are funded from the following sources as required by Education Code section 42238.24 (Stats. 2010, ch 724, AB [Assembly Bill]1610):
 - A. For school districts, the amount of state funding apportioned pursuant to Article 2 of Chapter 7 of Part 24 of Division 3 of Title 2 of the Education Code (commencing with section 42238 et seq.) for the courses specified by Education Code section 51225.3(a)(1) and required by Education Code sections 42238.24 and 41372 to *first* fund the teacher salary and benefit costs incurred for all 13 state required courses, which are used for the second science course mandated in the *Graduation Requirements* program by Education Code section 51225.3(a)(1)(C). . . . These funds are a mandatory offset and only after all of these funds have been expended exclusively for the teacher salary and benefits costs for the (currently 13) state required courses, may any additional remaining teacher salary and benefits costs be claimed for the mandated second science course;
 - B. For county offices of education, the amount of state funding apportioned pursuant to Article 3 (commencing with Section 2550) of Chapter 12 of Part 2 of Division 1 of Title 1 of the Education Code for the courses specified by Education Code section 51225.3(a)(1) and required by Education Code sections 42238.24 and 41372 to *first* fund the teacher salary and benefit costs incurred for all 13 state required courses, which are used for the second science course mandated in the *Graduation Requirements* program by Education Code section 51225.3(a)(1)(C). . . . These funds are a mandatory offset and only after all of these funds have been expended

exclusively for the teacher salary and benefits costs for the (currently 13) state required courses, may any additional remaining teacher salary and benefits costs be claimed for the mandated second science course; and

- C. The amount of state funding received from any of the items listed in Education Code section 42605 from fiscal years 2008-2009 through 2012-2013 and required by Education Code sections 42238.24 and 41372 to *first* fund the teacher salary and benefit costs incurred for all 13 state required courses, which are used for the second science course mandated in the *Graduation Requirements* program by Education Code section 51225.3(a)(1)(C). . . . These funds are a mandatory offset and only after all of these funds have been expended exclusively for the teacher salary and benefits costs for the (currently 13) state required courses, may any additional remaining teacher salary and benefits costs be claimed for the mandated second science course. . . .

Recommendation

Commencing in fiscal year 2014-15, the district elected to participate in a block grant program, pursuant to Government Code section 17581.6, in lieu of filing annual mandated cost claims. If the district chooses to opt out of the block grant program, we recommend that the district ensure that it apply all related offsetting revenues to claimed costs.