

FINAL STATEMENT OF REASONS

Update of Initial Statement of Reasons

The proposed regulations were made available to the public from April 24, 2015, through June 8, 2015. A public hearing was held on June 17, 2015. CalSTRS did not receive any comments, orally or in writing. There were no changes to the proposed regulations as originally noticed to the public, as adopted by the board.

The Initial Statement of Reasons (ISOR) contained the following incomplete statement in the Problem Statement: “Permitting these employers to directly report allows for direct communication between CalSTRS and the district and absolves the county of any reporting responsibility for its independent district.” To clarify, as noted elsewhere in the ISOR and in the regulations text, the county is only absolved of reporting responsibility for the duration of the direct reporting relationship. The county must resume responsibility for reporting in the event of termination of the direct reporting relationship.

Also in the Problem Statement, the broad statement of intent includes a bullet that the regulations would “require counties and districts to mutually agree to the division of responsibilities.” The regulations require separate declaration by both parties that attest to the same statements, so it is more accurate to state that the regulations would “require counties and districts each to submit declarations indicating agreement on the division of responsibilities.” The same clarification applies to mutual agreement as used to describe paragraph (2) of subdivision (a) of Section 22703 in the ISOR. This clarification does not apply to Section 22704, in which the parties *are* explicitly required to mutually agree on a shared document to the termination of the direct reporting relationship, so the ISOR description of mutual agreement in this case is correct with no further clarification.

The ISOR described the rationale for each declaration under paragraphs (2) and (3) of subdivision (a) of Section 27703. The rationale described therein relates primarily to paragraph (1) of subdivision (b) of Section 27702, requiring that each of the declarations must be accurate. The rationale for each statement being provided in the form of a written document via formal resolution, as noted in the ISOR, is also to provide adequate evidence that the direct reporting arrangement has been agreed upon by the district and county.

Following the board’s adoption of the regulations, the following nonsubstantive grammatical and cosmetic changes were made to the regulations text:

- Section 27702: Substituted “accuracy” for “correctness” in paragraph (1) of subdivision (b). In the case of each resolution and as described in the ISOR, the requirement is that each declaration remains current. Both terms mean conformity with the truth; however, “correctness” is a more awkward and infrequently used term.
- Section 27703: Corrected a typographical error in subparagraph (B) of paragraph (3) of subdivision (a), substituting “paragraph (2) *of* subdivision (a) of Section 27703” for

“paragraph (2) or subdivision (a) *or* Section 27703.” Reversed the order of paragraphs (E) and (F) in the same subdivision with no effect to improve readability.

- Section 27705: Revised text to improve readability and added text specifying the mechanism for submitting a written request for review and clarifying the 30 day window.

Each of these changes clarifies without materially altering the requirements, rights, responsibilities, conditions or prescriptions contained in the original text.

Alternatives Determination

CalSTRS has determined that no reasonable alternative considered by the agency or that has otherwise been identified and brought to the attention of the agency would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Local Mandate Determination

CalSTRS has determined that the regulations proposed do not constitute a mandate on local agencies or school districts. The regulations are permissive and are expected to result in a consistent application process to initiate a reporting relationship for participating school and community college districts and their respective county offices of education. This is not expected to result in any significant monetary savings or costs to school districts, community college districts or their respective county offices of education.

The modest projected savings to local government noted as “Baseline 1” in the Economic and Fiscal Impact Statement apply only to employers that may have, of their own initiative, permissively initiated contact with CalSTRS to enquire about applying to becoming a direct report and would no longer do so in the presence of these regulations.

The modest projected costs to local government noted as “Baseline 2” in the Economic and Fiscal Impact Statement are similarly permissive and, therefore, are not a mandate required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of the Government Code. In addition, Baseline 2 represents a hypothetical scenario in which CalSTRS does not exercise its statutory authority to approve districts as direct reports on a case-by-case basis. In the absence of these regulations, CalSTRS has considered, and would continue to consider, inquiries from districts interested in becoming direct reports.