

Assembly
California Legislature
Committee on Local Government
KATCHO ACHADJIAN
CHAIR

Informational Hearing on State Mandates
Assembly Local Government Committee

Tuesday, December 10th, 2013

10:30 am, Room 444

Agenda

I. Welcome and Opening Remarks

--Assembly Member Katcho Achadjian, Chair, Assembly Local Government Committee

II. Brief Overview and History of State-Mandated Local Programs

--Marianne O'Malley, Managing Principal Analyst, State and Local Finance, Legislative Analyst's Office

--Michael Byrne, Principal Program Budget Analyst, Department of Finance

--Tom Dyer, Legislative Director, Department of Finance

III. Review of State Mandates Process and Update on Backlog Reduction Plan

--Heather Halsey, Executive Director, Commission on State Mandates

--Camille Shelton, Chief Legal Counsel, Commission on State Mandates

IV. The Local Government Perspective on State Mandates

--Jean Hurst, Senior Legislative Representative, California State Association of Counties

--Tim Cromartie, Legislative Representative, League of California Cities

--Kyle Packham, Advocacy and Public Affairs Director, California Special Districts Association

V. State Controller's Office: Role in Mandates Process

--Jim L. Spano, Chief, Mandated Cost Audits Bureau, Division of Audits, State Controller's Office

--Jay Lal, Manager, Local Reimbursements Section, Division of Accounting and Reporting, State Controller's Office

VI. Public Testimony

VII. Closing Remarks and Adjournment



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Hearing Goal

The goal of this hearing is to provide information to members about the state mandates process, including the history of state-mandated local programs and the role of the Commission on State Mandates in mandate determination and reimbursement, and to hear from representatives of local governments about their perspectives on state mandates.

Background on State Mandates

The concept of state reimbursement to local agencies and school districts for state mandated activities originated with the Property Tax Relief Act (Act) of 1972 (Senate Bill 90, Chapter 1406, Statutes of 1972). The primary purpose of the Act was to limit the ability of local agencies and school districts to levy taxes. To offset these limitations, the Legislature declared its intent to reimburse local agencies and school districts for the costs of new programs or increased levels of service mandated by state government. The Legislature authorized the State Board of Control to hear and decide upon claims requesting reimbursement for state-mandated costs.

In 1979, voters approved Proposition 4, which superseded the Act by adding Article XIII B to the California Constitution. Article XIII B imposes appropriations limits on the tax proceeds of state and local governments. Section 6 of Article XIII B requires that, whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state must provide a subvention of funds to reimburse that local government for associated costs (with certain exceptions).

To implement Section 6 of Article XIII B, the Legislature created the Commission on State Mandates (Commission) in 1984. The Commission is a quasi-judicial body whose primary responsibility is to hear and decide test claims alleging that the Legislature or a state agency imposed a reimbursable state-mandated program upon a local government.

Mandate Process

The Commission is responsible for determining whether a new statute, executive order, or regulation contains a reimbursable state mandate on local governments, and for establishing the appropriate reimbursement to local governments from a mandate claim.

The Constitution, as amended by Proposition 1A of 2004, requires that the Legislature either fund or suspend local mandates. Payments for mandate costs incurred prior to 2004 are one exception noted in the Constitution and such pre-2004 costs can be repaid over time. In most cases, if the Legislature fails to fund a mandate, or if the Governor vetoes funding, the legal requirements are considered suspended pursuant to the Constitution.

Mandate reimbursement claims are filed with the State Controller's Office for the prior fiscal year, after the fiscal year is completed and actual costs are known. The state pays the mandate costs in the following fiscal year. Suspending a mandate does not relieve the state of the obligation to reimburse valid claims from prior years, but it does allow the state to defer payment.

Attached are flow charts of the mandate determination process compiled by the Commission on State Mandates.

Recent Legislation

SCA 3 (Leno and Steinberg), Chapter 123, Statutes of 2013, proposes amendments to the California Constitution that require local agencies to comply with the California Public Records Act and the Ralph M. Brown Act and exempt the state from reimbursing local agencies for related costs.

AB 392 (Jones-Sawyer), Chapter 77, Statutes of 2013, makes changes to the allocation method and reporting requirement for prorated state mandate claims.

SB 112 (Liu), Chapter 144, Statutes of 2011, requires any amendment of the parameters and guidelines boilerplate language for purposes of state reimbursement of any claim relating to a statute or executive order that does not increase or decrease reimbursable costs to limit the eligible filing period commencing with the fiscal year in which the amended parameters and guidelines were adopted.

AB 1222 (Laird), Chapter 329, Statutes of 2007, establishes a streamlined alternative state mandate reimbursement process, clarifies an existing reimbursement methodology, and enhances existing claiming requirements for certain mandates.

SB 2652 (Laird), Chapter 168, Statutes of 2006, provides for the consolidation of incorrect reduction claims filed with the Commission on State Mandates.

AB 2224 (Cohn), Chapter 313, Statutes of 2004, creates statutory authority for the Controller to implement recommendations of the Bureau of State Audits concerning state mandates.

AB 2851 (Laird), Chapter 316, Statutes of 2004, implements several changes recommended by the Assembly Special Committee on State Mandates.¹

AB 2853 (Laird), Chapter 889, Statutes of 2004, implements several changes recommended by the Assembly Special Committee on State Mandates by making five state-mandated local programs optional.

AB 2856 (Laird), Chapter 890, Statutes of 2004, revises the procedures for receiving claims and for hearings on claims, and the definitions of terms related to the procedure and hearings, defines additional terms, abolishes the State Mandates Claim Fund, and deletes the option of paying claims from this fund.

Additional Resources

- Legislative Analyst's Office. What is a Mandate: An Overview.
<http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1534>
- State Controller's Office. State Mandated Programs.
http://www.sco.ca.gov/ard_mancost.html
- Commission on State Mandates. DIRECTOR OF FINANCE: 2013 REPORT ON WORKLOAD LEVELS AND BACKLOG REDUCTION PLAN
http://www.csm.ca.gov/docs/DOF_2013.pdf

¹ In 2003, then Assembly Speaker Wesson established the Special Committee on State Mandates which was tasked to review all reimbursable state mandates, particularly suspended or deferred mandates, and to make recommendations for reforms to the reimbursement process.

Mandate Determination Process

Statute or Executive Order

Test Claim

Parameters and Guidelines

Statutory Cost Estimate

State Controller's Claiming Instructions

In enacting a statute or imposing an executive order, the Legislature, Governor, or a state agency may impose a new program or higher level of service on local agencies or school districts. If the statute or executive order does not contain sufficient funding and there are increased costs as a result of the change, affected local agencies and school districts may seek reimbursement by filing a test claim with the Commission on State Mandates.

"Test claim" means a claim filed with the Commission alleging that a particular statute or executive order imposes costs mandated by the state. A test claim allows local agencies and school districts to identify prospective reimbursable costs resulting from the new statute or executive order. The Commission hears and makes a determination on each claim.

If the Commission approves a test claim, it must determine the amount to be subvented to local agencies and school districts. The test claimant develops proposed parameters and guidelines that identify the mandated program, eligible claimants, period of reimbursement, reimbursable activities, and other necessary claiming information. The Commission hears and may adopt, amend, or reject the claimant's proposed parameters and guidelines.

Following the Commission's adoption of parameters and guidelines, a statewide cost estimate for eligible costs is adopted by the Commission. These estimates are reported to the Legislature. They form the basis for the local government claims bill, which appropriates funds to the State Controller to pay reimbursement claims.

In the final step, the State Controller issues claiming instructions, which local agencies and school districts follow when filing claims for reimbursement. The reimbursement claims must be filed by the dates specified in the claiming instructions. The Controller shall pay eligible claims within 60 days after the filing deadline or 15 days after an appropriation is effective, whichever is later.

Process Sequence	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Affected State Agencies and Interested Parties		Staff reviews substantial for completeness.	Comment period for state agencies and interested parties on complete test claim filings.	Staff issues draft staff analysis and recommendation.	Comment period for state agencies and interested parties on draft staff analysis.	Staff issues final staff analysis.	COMMISSION HEARING to approve or deny test claim. If test claim is denied, the file is closed. Staff reports decision to Legislature in annual report.		Comment period for state agencies and interested parties on claimant's proposed parameters and guidelines.	Staff issues analysis and proposed parameters and guidelines to parties.	COMMISSION HEARING to adopt parameters and guidelines.		COMMISSION HEARING to adopt statewide cost estimate.	Once adopted, staff reports statewide cost estimate in report to the Legislature for inclusion in the local government claims bill.
Commission														
Claimant														
State Controller	Local agency or school district files a test claim with the Commission on State Mandates.		Claimant rebuttal period on state agency and interested party comments.		Claimant rebuttal period on state agency and interested party comments.			If test claim is approved, claimant files proposed parameters and guidelines with the Commission.	Claimant rebuttal period on state agency and interested party comments.	Staff issues analysis and proposed parameters and guidelines to parties.	COMMISSION HEARING to adopt parameters and guidelines.	Eligible claimants can file claims.		Once adopted, State Controller issues claiming instructions.

A simplified overview of the Mandate Determination Process. The color bars above and below each of the steps in the Process Sequence (1-14) show what agency or activity is involved.