

Date of Hearing: June 19, 2019

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT  
Cecilia Aguiar-Curry, Chair  
SB 287 (Nielsen) – As Introduced February 13, 2019

**SENATE VOTE:** 38-0

**SUBJECT:** Commission on State Mandates: test claims: filing date.

**SUMMARY:** Aligns the state mandate test claim filing period with the fiscal year, rather than the calendar year.

**FISCAL EFFECT:** According to the Senate Appropriations Committee, this bill will have the following:

- 1) Unknown potential increase in state General Fund costs for reimbursement of future state-mandated local costs as a result of the expansion of the timeframe for local agencies to file a test claim with the Commission on State Mandates (Commission) by up to one year relative to current law. The magnitude of increased costs is unknown, but could exceed \$50,000 in a future fiscal year, and would depend upon the timing and specifics of prospective test claims filed by local agencies.
- 2) The Commission would incur minor one-time costs to update its regulations regarding the period of limitation for filing test claims. (General Fund)

**COMMENTS:**

- 1) **State Mandates.** In 1979, the voters amended the California Constitution, requiring the state to reimburse local governments for the cost of new programs or higher levels of service mandated by the Legislature or any state agency (Section 6 of Article XIII B). However, not all mandates are reimbursable. The Constitution also creates specific exceptions when the state does not have to reimburse local governments for the new level of service:
  - a) The local agency affected requests the mandate;
  - b) The mandate defines a new crime or changes an existing definition of a crime;
  - c) The Legislature enacted the mandate prior to 1975; or,
  - d) The mandate concerns constitutional requirements to provide the public access to public meetings.

The Legislature established the Commission in 1984 as a quasi-judicial body to mediate disputes between the state and local agencies over what constitutes a state mandate and requires the state to reimburse local agencies. When the Legislature created the Commission, it also created additional circumstances under which the state does not have to reimburse local agencies for state-mandated local programs, including when:

- a) The mandate has been declared existing law or regulation by the courts;
  - b) The mandate is federally-mandated;
  - c) The local agency has the authority to levy service charges, fees, or assessments sufficient to pay for the mandated program or increased level of service;
  - d) There is offsetting savings from an appropriation or another bill; or,
  - e) The mandate is necessary to implement a ballot measure approved by the voters.
- 2) **Submitting Test Claims.** When a local agency wants to claim a state law or executive order increases costs, it submits a test claim to the Commission outlining the increased costs or level of service. The Commission hears the claim and decides whether it is a reimbursable state mandate. If the Commission determines that the requirement in question is a reimbursable mandate, it calculates the amount the state must pay local agencies based on actual costs or another reasonable methodology the Commission develops.

Under the 1984 legislation, local agencies did not have a statute of limitations that limited the time they had to submit a test claim. AB 3000 (Committee on Budget), Chapter 1124, Statutes of 2002, imposed a three-year statute of limitations. Later, AB 2856 (Laird), Chapter 890, Statutes of 2004, reduced the statute of limitations to one year from the effective date of the statute, or the date the local agency first incurred costs. In December 2017, the Commission approved amendments to California Code of Regulation Section 1183.1(c) that amends the filing period for test claims from conforming to the fiscal calendar year, ending on June 30, to the calendar year, ending December 31.

- 3) **Bill Summary and Author's Statement.** This bill aligns the state mandate test claim filing period with the fiscal year, rather than the calendar year, allowing local agencies to submit test claims up to 12 months after the law or executive order went into effect or until June 30<sup>th</sup> of the fiscal year following the year the local agency first incurred costs. This bill is sponsored by the California Special Districts Association.

According to the author, "SB 287 seeks to clean up a discrepancy at the Commission that has made it much more difficult for deserving local governments to seek a reimbursement for services rendered to their constituents. The bill amends Government Code Section 17551(c) to clarify that the test claim filing period with the Commission is to track with the fiscal year rather than the calendar year. The amendment simply re-adds language that was previously in the California Code of Regulations section 1183.1(c) into the Government Code. Specifically, the language would state that: 'for purposes of claiming based on the date of first incurring costs, within 12 months; means by June 30 of the fiscal year following the fiscal year in which increased costs were first incurred by the test claimant.' In December 2017, the Commission approved amendments to California Code of Regulation Section 1183.1(c), effective April 1, 2018.

"The amendments effectively changed the filing period for test claims from conforming to the fiscal calendar year, ending on June 30, to the calendar year, ending December 31. In testimony during the rulemaking process, the Commission Staff stated that '[t]his change is intended to make the regulation consistent with the plain language of Government Code

section 17551(c).’ However, it is important to note that the commission had operated out of line with the plain language of Section 17551 for 13 years without issue. The amended regulations shortened the filing period for an agency to submit a test claim to the Commission by six months, making the requirements much more difficult for local governments to meet. The previous filing period that tracked with the fiscal year properly reflected an understanding of the local agency budgeting process that permits local agencies enough time to gather the relevant information and submit well-prepared test claims. The newly adopted filing period, however, hinders a local government’s ability to adequately track associated costs and submit accurate test claims.”

- 4) **Arguments in Support.** The sponsor argues, “SB 287 makes clear in the Government Code what had been the practice of the Commission for over a decade by plainly stating that the filing period deadline for mandate test claims is defined as June 30 of the fiscal year following the fiscal year in which increased costs were first incurred by the test claimant.”

- 5) **Arguments in Opposition.** None on file.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

California Special Districts Association [SPONSOR]  
Association of California Healthcare Districts  
California State Association of Counties  
League of California Cities

##### **Opposition**

None on file

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