

Senate Bill No. 19

CHAPTER 45

An act to amend Sections 17558, 17560, 17561, 17561.5, and 17562 of the Government Code, relating to state-mandated local programs, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor May 14, 1996. Filed with
Secretary of State May 15, 1996.]

LEGISLATIVE COUNSEL'S DIGEST

SB 19, Johannessen. State-mandated local programs.

Existing law requires the state to reimburse local agencies and school districts for the costs of state-mandated local programs. Existing law requires the Commission on State Mandates to adopt procedures for receiving claims for reimbursement of those costs, and requires the commission to submit to the Controller its adopted parameters and guidelines for reimbursement of claims. Commencing on July 1, 1996, the Controller is required to prepare claiming instructions to assist local agencies and school districts for each mandate that requires state reimbursement derived from the statute or executive order creating the mandate and the parameters and guidelines provided by the commission and approved by the Legislature, within 30 days after receiving the adopted parameters and guidelines.

This bill would require the Controller to issue the claiming instructions, within 60 days after receiving the adopted parameters and guidelines, and would specify that the parameters and guidelines are adopted by the commission.

Existing law requires the Controller on behalf of any authorized state agency to prepare and issue new or revised claiming instructions for new mandates determined by the commission and for which funding is provided, as specified, within 30 days.

This bill would instead require the Controller, within 60 days after receiving revised adopted parameters and guidelines from the commission or other information necessitating a revision, to prepare and issue revised claiming instructions, and would delete the requirement that the specified funding be provided.

Existing law provides that a local agency or school district seeking reimbursement for state-mandated costs shall, by November 30 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.

This bill would, instead, provide that a local agency or school district seeking reimbursement for state-mandated cost may file an annual reimbursement claim by that date.

Existing law specifies the procedures for reimbursement for state-mandated costs to be claimed.

This bill would specify additional procedures for making claims if revised claiming instructions are issued by the Controller, to be operative on July 1, 1996.

Existing law requires the Controller to disburse reimbursement funds according to prescribed procedures which require each local agency or school district to which a mandate is applicable to submit claims when funds are appropriated for the initial year in which the costs will be incurred and requires the Controller to pay any eligible claims within 60 days of the filing deadline.

This bill would require that, commencing July 1, 1996, the Controller pay any eligible claim within 60 days of the filing deadline for claims for reimbursement or 15 days after the date the appropriation for the claim is effective, whichever is later, and would make related changes.

Existing law requires that interest be paid on local agency claims if payment is more than 12 months after adoption of a statewide cost estimate or more than 12 months after related subsequent claims.

This bill would require that interest be paid if the payment is more than 365 days after the adoption of the estimate for an initial claim or beginning on the 61st day for payment of a subsequent claim relating to that same statute or executive order if payment is more than 60 days after the filing deadline for or receipt by the Controller of the subsequent claim, whichever is later.

Existing law requires the Legislative Analyst and the Department of Finance to make certain reports to the Legislature regarding state mandates by September 1 of each year.

This bill would change that date to December 1. It would revise the duties of the Legislative Analyst to specify that a statewide association of local agencies or a Member of the Legislature may submit a proposal to the Chairs of the Assembly Committee on Local Government and the Senate Committee on Local Government recommending the elimination or modification of a state-mandated local program, and that the chairs of the committees may refer up to 10 of those proposals per year to the Legislative Analyst for review. It would require the Legislative Analyst to review and report to the Legislature on each of those proposals, and recommend that the Legislature adopt, reject, or modify the proposal.

This bill would declare that it is to take effect immediately as an urgency statute.



The people of the State of California do enact as follows:

SECTION 1. Section 17558 of the Government Code, as added by Section 11 of Chapter 945 of the Statutes of 1995, is amended to read:

17558. (a) The commission shall submit the adopted parameters and guidelines to the Controller. All claims relating to a statute or executive order that are filed after the determination of the test claim pursuant to Section 17557 shall be transferred to the Controller who shall pay and audit the claims from funds made available for that purpose.

(b) Not later than 60 days after receiving the adopted parameters and guidelines from the commission, the Controller shall issue claiming instructions for each mandate that requires state reimbursement, to assist local agencies and school districts in claiming costs to be reimbursed. In preparing claiming instructions, the Controller may request the assistance of other state agencies. The claiming instructions shall be derived from the statute or executive order creating the mandate and the parameters and guidelines adopted by the commission.

(c) The Controller shall, within 60 days after receiving revised adopted parameters and guidelines from the commission or other information necessitating a revision of the claiming instructions, prepare and issue revised claiming instructions for mandates that require state reimbursement that have been established by commission action pursuant to Section 17555 or after any decision or order of the commission pursuant to Section 17551. In preparing revised claiming instructions, the Controller may request the assistance of other state agencies.

(d) This section shall become operative on July 1, 1996.

SEC. 2. Section 17560 of the Government Code is amended to read:

17560. Reimbursement for state-mandated costs may be claimed as follows:

(a) A local agency or school district may file an estimated reimbursement claim by November 30 of the fiscal year in which costs are to be incurred, and, by November 30 following that fiscal year shall file an annual reimbursement claim that details the costs actually incurred for that fiscal year; or it may comply with the provisions of subdivision (b).

(b) A local agency or school district may, by November 30 following the fiscal year in which costs are incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.

(c) In the event revised claiming instructions are issued by the Controller pursuant to subdivision (c) of Section 17558 between September 1 and November 30, a local agency or school district filing



an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim.

(d) Subdivision (c) of this section shall become operative on July 1, 1996.

SEC. 3. Section 17561 of the Government Code is amended to read:

17561. (a) The state shall reimburse each local agency and school district for all "costs mandated by the state," as defined in Section 17514.

(b) (1) For the initial fiscal year during which these costs are incurred, reimbursement funds shall be provided as follows:

(A) Any statute mandating these costs shall provide an appropriation therefor.

(B) Any executive order mandating these costs shall be accompanied by a bill appropriating the funds therefor, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year. The executive order shall cite that item of appropriation in the Budget Bill or that appropriation in any other bill which is intended to serve as the source from which the Controller may pay the claims of local agencies and school districts.

(2) In subsequent fiscal years appropriations for these costs shall be included in the annual Governor's Budget and in the accompanying Budget Bill. In addition, appropriations to reimburse local agencies and school districts for continuing costs resulting from chaptered bills or executive orders for which claims have been awarded pursuant to subdivision (a) of Section 17551 shall be included in the annual Governor's Budget and in the accompanying Budget Bill subsequent to the enactment of the local government claims bill pursuant to Section 17600 which includes the amounts awarded relating to these chaptered bills or executive orders.

(c) The amount appropriated to reimburse local agencies and school districts for costs mandated by the state shall be appropriated to the Controller for disbursement.

(d) The Controller shall pay any eligible claim pursuant to this section within 60 days after the filing deadline for claims for reimbursement or 15 days after the date the appropriation for the claim is effective, whichever is later. The Controller shall disburse reimbursement funds to local agencies or school districts if the costs of these mandates are not payable to state agencies, or to state agencies who would otherwise collect the costs of these mandates from local agencies or school districts in the form of fees, premiums, or payments. When disbursing reimbursement funds to local agencies or school districts, the Controller shall disburse them as follows:

(1) For initial reimbursement claims, the Controller shall issue claiming instructions to the relevant local agencies pursuant to



Section 17558. Issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the commission.

(A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17555 that requires state reimbursement, each local agency or school district to which the mandate is applicable shall submit claims for initial fiscal year costs to the Controller within 120 days of the issuance date for the claiming instructions.

(B) When the commission is requested to review the claiming instructions pursuant to Section 17571, each local agency or school district to which the mandate is applicable shall submit a claim for reimbursement within 120 days after the commission reviews the claiming instructions for reimbursement issued by the Controller.

(C) If the local agency or school district does not submit a claim for reimbursement within the 120-day period, or submits a claim pursuant to revised claiming instructions, it may submit its claim for reimbursement as specified in Section 17560. The Controller shall pay these claims from the funds appropriated therefor, provided that the Controller (A) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, and (B) may reduce any claim which the Controller determines is excessive or unreasonable.

(2) In subsequent fiscal years each local agency or school district shall submit its claims as specified in Section 17560. The Controller shall pay these claims from funds appropriated therefor, provided that the Controller (A) may audit the records of any local agency or school district to verify the actual amount of the mandated costs, (B) may reduce any claim, which the Controller determines is excessive or unreasonable, and (C) shall adjust the payment to correct for any underpayments or overpayments which occurred in previous fiscal years.

(3) When paying a timely filed claim for initial reimbursement, the Controller shall withhold 20 percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount which would have been allowed had the claim been timely filed, provided that the amount of this reduction shall not exceed one thousand dollars (\$1,000). The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. In no case shall a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates contained in a claims bill.



(e) The amendments to this section enacted at the 1995–96 Regular Session shall become operative on July 1, 1996.

SEC. 4. Section 17561.5 of the Government Code is amended to read:

17561.5. (a) The payment of an initial reimbursement claim by the Controller shall include accrued interest at the Pooled Money Investment Account rate, if the payment is being made more than 365 days after adoption of the statewide cost estimate for an initial claim or, in the case of payment of a subsequent claim relating to that same statute or executive order, if payment is being made more than 60 days after the filing deadline for, or the actual date of receipt of, the subsequent claim, whichever is later. In those instances, interest shall begin to accrue as of the 366th day after adoption of the statewide cost estimate for an initial claim and as of the 61st day after the filing deadline for, or actual date of receipt of, the subsequent claim, whichever is later.

(b) This section shall become operative on July 1, 1996.

SEC. 5. Section 17562 of the Government Code, as added by Chapter 945 of the Statutes of 1995, is amended to read:

17562. (a) The Legislature hereby finds and declares that the increasing revenue constraints on state and local government and the increasing costs of financing state-mandated local programs make evaluation of the cumulative effects of state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to establish a method for regularly reviewing the costs of state-mandated local programs, by evaluating the benefit of previously enacted mandates.

(b) (1) A statewide association of local agencies or a Member of the Legislature may submit a proposal to the Legislature recommending the elimination or modification of a state-mandated local program. To make such a proposal, the association or member shall submit a letter to the Chairs of the Assembly Committee on Local Government and the Senate Committee on Local Government specifying the mandate and the concerns and recommendations regarding the mandate. The association or member shall include in the proposal all information relevant to the conclusions. If the chairs of the committees desire additional analysis of the submitted proposal, the chairs may refer the proposal to the Legislative Analyst for review and comment. The chairs of the committees may refer up to a total of 10 of these proposals to the Legislative Analyst for review in any year. Referrals shall be submitted to the Legislative Analyst by September 1 of each year.

(2) The Legislative Analyst shall review and report to the Legislature with regard to each proposal that is referred to the office pursuant to paragraph (1). The Legislative Analyst shall recommend that the Legislature adopt, reject, or modify the proposal. The report



and recommendations shall be submitted to the Legislature by December 1 of each year.

(3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative Section 2229 or Section 2230 of the Revenue and Taxation Code or Section 17561 or Section 17565 that have resulted in costs or revenue losses mandated by the state that were not identified when the statute was enacted. The review shall identify the costs or revenue losses involved in complying with the provisions of the statutes. The Department of Finance shall also review all statutes enacted each year that may result in cost savings authorized by the state. The Department of Finance shall submit an annual report of the review required by this subdivision, together with the recommendations as it may deem appropriate, by December 1 of each year.

(c) It is the intent of the Legislature that the Assembly Committee on Local Government and the Senate Committee on Local Government hold a joint hearing each year regarding the following:

(1) The reports and recommendations submitted pursuant to subdivision (b).

(2) The reports submitted pursuant to Sections 17570, 17600, and 17601.

(3) Legislation to continue, eliminate, or modify any provision of law reviewed pursuant to this subdivision. The legislation may be by subject area or by year or years of enactment.

(d) This section shall become operative on July 1, 1996.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order that needed revisions to the claiming procedures for state-mandated local programs may be implemented at the earliest possible time, it is necessary that this act take effect immediately.

