AMENDED IN ASSEMBLY OCTOBER 7, 2010

SENATE BILL No. 866

Introduced by Committee on Budget and Fiscal Review

January 11, 2010

~~An act relating to the Budget Act of 2010.~~ *An act to amend Sections 6585, 6588, 6590, 6591, 6592, 6599.3, 17558.5, 17558.7, 17561, 17562, and 17617 of, and to add Section 6588.71 to, the Government Code, relating to local government finance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 866, as amended, Committee on Budget and Fiscal Review. ~~Budget Act of 2010.~~ *Local government finance: state-mandated reimbursement receivables.*

The California Constitution requires that whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state provide a subvention of funds to reimburse that local government for the costs of the program or increased level of service, except as specified. Existing law also provides that, with respect to payable claims for costs incurred prior to the 2004–05 fiscal year that have not been paid prior to the 2005–06 fiscal year, those claims may be paid over a term of years, as prescribed.

The Marks-Roos Local Bond Pooling Act of 1985 defines the term "authority" and authorizes joint powers authorities to, among other things, purchase, with the proceeds of bonds or its revenue, a local agency's right to receive moneys in repayment of its revenue losses (VLF or Proposition 1A receivables) resulting from this modification of ad valorem property tax revenue allocations. Existing law authorizes *a local agency subject to this reduction to sell any of these receivables to the authority.*

This bill would additionally authorize a joint powers authority to purchase, with the proceeds of its bonds or its revenue and subject to the same criteria, the right of a local agency, as defined, to receive certain subvention moneys for reimbursement for the costs of a new program or higher level of service, which would be known as local mandate claim receivables, and afford a local agency the opportunity to sell these receivables to the authority. The bill would authorize a civil action to determine the validity of any bonds issued to finance bond purchases or the purchase of receivables, as specified.

Existing law requires that the total amount due to each city, county, city and county, and special district, for which the state has determined, as of June 30, 2005, that reimbursement is required under the California Constitution, shall be appropriated for payment to these entities over a period of not more than 15 years, commencing with the Budget Act for the 2006–07 fiscal year and concluding with the 2020–21 fiscal year.

The bill would require the Controller to prepare a list of reimbursement claims and related interest applied for and approved for specified local entities. The bill would also schedule the amount to be repaid, with interest, and continuously appropriate those amounts to each local entity, as prescribed. The bill would provide for the payment of interest on these claims, as specified.

The bill would require the Controller to include specified information regarding reimbursement claims sold by local agencies in the Controller's report submitted to the Joint Legislative Budget Committee.

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

~~This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2010.~~

Vote: ~~majority~~ *⅔*. Appropriation: ~~no~~ *yes*. Fiscal committee: ~~no~~ *yes*. State-mandated local program: no.

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

SECTION 1. Section 6585 of the Government Code is amended to read:

6585. The definitions in this section shall govern the construction and interpretation of this article.

(a) (1) Except as provided in paragraphs (2)~~ and~~, (3), *and (4),* "authority" means an entity created pursuant to Article 1 (commencing with Section 6500).

(2) In the case of an authority issuing bonds pursuant to this chapter in which VLF receivables, as defined in subdivision~~ (j)~~ *(k)*, are pledged to the payment of the bonds, other than VLF receivables so pledged for a county of the first class, an authority shall consist of not less than 100 local agencies.

(3) In the case of an authority issuing bonds pursuant to this chapter in which Proposition 1A receivables, as defined in subdivision (g), are pledged to the payment of the bonds, an authority shall consist of not less than 250 local agencies.

(4) In the case of an authority issuing bonds pursuant to this chapter in which local mandate claim receivables, as defined in subdivision (j), are pledged to the payment of the bonds, an authority shall consist of not fewer than 250 local agencies.

(b) "Bond purchase agreement" means a contractual agreement executed between the authority and the local agency whereby the authority agrees to purchase bonds of the local agency.

(c) "Bonds" means all of the following:

(1) Bonds, including, but not limited to, assessment bonds, redevelopment agency bonds, government issued mortgage bonds, and industrial development bonds.

(2) Notes, including bond, revenue, tax, or grant anticipation notes.

(3) Commercial paper, floating rate and variable maturity securities, and any other evidences of indebtedness.

(4) Certificates of participation or lease-purchase agreements.

(d) "Cost," as applied to a public capital improvement or portion thereof financed under this part, means all of the following:

(1) All or any part of the cost of construction, renovation, and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, easements, and interests acquired or used for a public capital improvement.

(2) The cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which the buildings or structures may be moved; the cost of all machinery and equipment.

(3) Finance charges.

(4) Interest prior to, during, and for a period after, completion of that construction, as determined by the authority.

(5) Provisions for working capital, reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements.

(6) The cost of architectural, engineering, financial and legal services, plans, specifications, estimates, and administrative expenses.

(7) Other expenses necessary or incident to determining the feasibility of constructing any project or incident to the construction or acquisition or financing of any public capital improvement.

(e) "Legislative body" means the governing body of a local agency.

(f) *(1)* "Local agency" means a party to the agreement creating the authority, or an agency or subdivision of that party, sponsoring a project of public capital improvements, or any city, county, city and county, authority, district, or public corporation of this state.

(2) For the purpose of provisions relating to local mandate receivables, "local agency" means a city, county, city and county, or special district.

(g) "Proposition 1A receivable" means the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.

(h) "Public capital improvements" means one or more projects specified in Section 6546.

(i) "Revenue" means income and receipts of the authority from any of the following:

(1) A bond purchase agreement.

(2) Bonds acquired by the authority.

(3) Loans installment sale agreements, and other revenue-producing agreements entered into by the authority.

(4) Projects financed by the authority.

(5) Grants and other sources of income.

(6) VLF receivables purchased pursuant to Section 6588.5.

(7) Proposition 1A receivables purchased pursuant to Section 6588.6.

(8) Local mandate claim receivables purchased pursuant to Section 6588.71.

~~(8)~~

(9) Interest or other income from any investment of any money in any fund or account established for the payment of principal or interest or premiums on bonds.

(j) "Local mandate claim receivable" means the right to payment of moneys due to a local agency, as established by the Controller pursuant to paragraph (2) of subdivision (a) of Section 17617 for reimbursement claims applied for and approved, but not yet paid, for each city, county, city and county, and special district pursuant to paragraph (2) of subdivision (b) of Section 6 of Article XIII B of the California Constitution, through June 30, 2004, and includes interest on those moneys as provided in Section 17561.5 to the date the Controller certifies the amount pursuant to paragraph (2) of subdivision (a) of Section 17617, and also includes interest further accrued on the state-mandated claim receivable after that date pursuant to paragraph (3) of subdivision (a) of Section 17617.

~~(j)~~

(k) "VLF receivable" means the right to payment of moneys due or to become due to a local agency out of funds payable in connection with vehicle license fees to a local agency pursuant to Section 10754.11 of the Revenue and Taxation Code.

~~(k)~~

(l) "Working capital" means money to be used by, or on behalf of, a local agency for any purpose for which a local agency may borrow money pursuant to Section 53852, or for any purpose for which a VLF receivable ~~or~~, a Proposition 1A receivable*, or a local mandate claim receivable* sold to an authority could have been used by the local agency.

SEC. 2. Section 6588 of the Government Code is amended to read:

6588. In addition to other powers specified in an agreement pursuant to Article 1 (commencing with Section 6500) and Article 2 (commencing with Section 6540), the authority may do any or all of the following:

(a) Adopt bylaws for the regulation of its affairs and the conduct of its business.

(b) Sue and be sued in its own name.

(c) Issue bonds, including, at the option of the authority, bonds bearing interest, to pay the cost of any public capital improvement, working capital, or liability or other insurance program. In addition, for any purpose for which an authority may execute and deliver or cause to be executed and delivered certificates of participation in a lease or installment sale agreement with any public or private entity, the authority, at its option, may issue or cause to be issued bonds, rather than certificates of participation, and enter into a loan agreement with the public or private entity.

(d) Engage the services of private consultants to render professional and technical assistance and advice in carrying out the purposes of this article.

(e) As provided by applicable law, employ and compensate bond counsel, financial consultants, and other advisers determined necessary by the authority in connection with the issuance and sale of any bonds.

(f) Contract for engineering, architectural, accounting, or other services determined necessary by the authority for the successful development of a public capital improvement.

(g) Pay the reasonable costs of consulting engineers, architects, accountants, and construction, land-use, recreation, and environmental experts employed by any sponsor or participant if the authority determines those services are necessary for the successful development of public capital improvements.

(h) Take title to, and sell by installment sale or otherwise, lands, structures, real or personal property, rights, rights-of-way, franchises, easements, and other interests in lands that are located within the state that the authority determines are necessary or convenient for the financing of public capital improvements, or any portion thereof.

(i) Receive and accept from any source, loans, contributions, or grants, in either money, property, labor, or other things of value, for, or in aid of, the construction financing, or refinancing of public capital improvement, or any portion thereof or for the financing of working capital or insurance programs, or for the payment of the principal of and interest on bonds if the proceeds of those bonds are used for one or more of the purposes specified in this section.

(j) Make secured or unsecured loans to any local agency in connection with the financing of capital improvement projects, working capital or insurance programs in accordance with an agreement between the authority and the local agency. However, no loan shall exceed the total cost of the public capital improvements, working capital or insurance needs of the local agency as determined by the local agency and by the authority.

(k) Make secured or unsecured loans to any local agency in accordance with an agreement between the authority and the local agency to refinance indebtedness incurred by the local agency in connection with public capital improvements undertaken and completed.

(*l*) Mortgage all or any portion of its interest in public capital improvements and the property on which any project is located, whether owned or thereafter acquired, including the granting of a security interest in any property, tangible or intangible.

(m) Assign or pledge all or any portion of its interests in mortgages, deeds of trust, indentures of mortgage or trust, or similar instruments, notes, and security interests in property, tangible or intangible, of a local agency to which the authority has made loans, and the revenues therefrom, including payment or income from any interest owned or held by the authority, for the benefit of the holders of bonds issued to finance public capital improvements. The pledge of moneys, revenues, accounts, contract rights, or rights to payment of any kind made by or to the authority pursuant to the authority granted in this part shall be valid and binding from the time the pledge is made for the benefit of the pledgees and successors thereto, against all parties irrespective of whether the parties have notice of the claim.

(n) Lease the public capital improvements being financed to a local agency, upon terms and conditions that the authority deems proper; charge and collect rents therefor; terminate any lease upon the failure of the lessee to comply with any of the obligations of the lease; include in any lease provisions that the lessee shall have options to renew the lease for a period or periods, and at rents as determined by the authority; purchase or sell by an installment agreement or otherwise any or all of the public capital improvements; or, upon payment of all the indebtedness incurred by the authority for the financing or refinancing of the public capital improvements, the authority may convey any or all of the project to the lessee or lessees.

(o) Charge and apportion to local agencies that benefit from its services the administrative costs and expenses incurred in the exercise of the powers authorized by this article. These fees shall be set at a rate sufficient to recover, but not exceed, the authority's costs of issuance and administration. The fee charged to each local obligation acquired by the pool shall not exceed that obligation's proportionate share of those costs. The level of these fees shall be disclosed to the California Debt and Investment Advisory Commission pursuant to Section 6599.1.

(p) Issue, obtain, or aid in obtaining, from any department or agency of the United States or of the state, or any private company, any insurance or guarantee to, or for, the payment or repayment of interest or principal, or both, or any part thereof, on any loan, lease, or obligation or any instrument evidencing or securing the same, made or entered into pursuant to this article.

(q) Notwithstanding any other provision of this article, enter into any agreement, contract, or any other instrument with respect to any insurance or guarantee; accept payment in the manner and form as provided therein in the event of default by a local agency; and assign any insurance or guarantee that acts as security for the authority's bonds.

(r) Enter into any agreement or contract, execute any instrument, and perform any act or thing necessary, convenient, or desirable to carry out any power authorized by this article.

(s) Invest any moneys held in reserve or sinking funds, or any moneys not required for immediate use or disbursement, in obligations that are authorized by law for the investment of trust funds.

(t) At the request of affected local agencies, combine and pledge revenues to public capital improvements for repayment of one or more series of bonds issued pursuant to this article.

(u) Delegate to any of its individual parties or other responsible individuals the power to act on its behalf subject to its general direction, guidelines, and oversight.

(v) Purchase, with the proceeds of its bonds or its revenue, bonds issued by any local agency at public or negotiated sale. Bonds purchased pursuant to this subdivision may be held by the authority or sold to public or private purchasers at public or negotiated sale, in whole or in part, separately or together with other bonds issued by the authority.

(w) Purchase, with the proceeds of its bonds or its revenue, VLF receivables sold to the authority pursuant to Section 6588.5. VLF receivables so purchased may be pledged to the payment of bonds issued by the authority or may be resold to public or private purchasers at public or negotiated sale, in whole or in part, separately or together with other VLF receivables purchased by the authority.

(x) (1) Purchase, with the proceeds of its bonds or its revenue, Proposition 1A receivables pursuant to Section 6588.6. Proposition 1A receivables so purchased may be pledged to the payment of bonds issued by the authority or may be resold to public or private purchasers at public or negotiated sales, in whole or in part, separately or together with other Proposition 1A receivables purchased by the authority.

(2) (A) All entities subject to a reduction of ad valorem property tax revenues required under Section 100.06 of the Revenue and Taxation Code pursuant to the suspension set forth in Section 100.05 of the Revenue and Taxation Code shall be afforded the opportunity to sell their Proposition 1A receivables to the authority.

(B) If these entities offer Proposition 1A receivables to the authority for purchase and duly authorize the sale of the Proposition 1A receivable pursuant to documentation approved by the authority, the authority shall purchase all Proposition 1A receivables so offered to the extent it can sell bonds therefor. If the authority does not purchase all Proposition 1A receivables offered, it shall purchase a pro rata share of each entity's offered Proposition 1A receivables.

(C) The authority may establish a deadline, no earlier than November 3, 2009, by which these entities shall offer their Proposition 1A receivables for sale to the authority and complete the application required by the authority.

(3) For purposes of meeting costs incurred in performing its duties relative to the purchase and sale of Proposition 1A receivables, the authority shall be authorized to charge a fee to each entity from which it purchases a Proposition 1A receivable. The fee shall be computed based on the percentage value of the Proposition 1A receivable purchased from each entity, in relation to the value of all Proposition 1A receivables purchased by the authority. The amount of the fee shall be paid from the proceeds of the bonds and shall be included in the principal amount of the bonds.

(4) Terms and conditions of any and all fees and expenses charged by the authority, or those it contracts with, and the terms and conditions of sales of Proposition 1A receivables and bonds

issued pursuant to this subdivision, including the terms of optional early redemption provisions, if any, shall be approved by the Treasurer and the Director of Finance, who shall not unreasonably withhold their approval. The aggregate principal amount of all bonds issued pursuant to this subdivision shall not exceed two billion two hundred fifty million dollars ($2,250,000,000), and the rate of interest paid on those bonds shall not exceed 8 percent per annum. The authority shall exercise its best efforts to obtain the lowest cost financing possible. Any and all premium obtained shall be used for either of the following:

(A) Applied to pay the costs of issuance of the bonds.

(B) Deposited in a trust account that is pledged to bondholders and used solely for the payment of interest on, or for repayment of, the bonds.

(5) (A) In connection with any financing backed by Proposition 1A receivables, the Treasurer may retain financial advisors, legal counsel, and other consultants to assist in performing the duties required by this chapter and related to that financing.

(B) Notwithstanding any other provision of law, none of the following shall apply to any agreements entered into by the Treasurer pursuant to subparagraph (A) in connection with any Proposition 1A financing:

(i) Section 11040 of the Government Code.

(ii) Section 10295 of the Public Contract Code.

(iii) Article 3 (commencing with Section 10300) and Article 4 (commencing with Section 10335) of, Chapter 2 of Part 2 of Division 2 of the Public Contract Code, except for the authority of the Department of Finance under Section 10336 of the Public Contract Code to direct a state agency to transmit to it a contract for review, and except for Section 10348.5 of the Public Contract Code.

(C) Any costs incurred by the Treasurer in connection with any Proposition 1A financing shall be reimbursed out of the proceeds of the financing.

(y) (1) Purchase, with the proceeds of its bonds or its revenue, local mandate claim receivables sold to the authority pursuant to Section 6588.71. Receivables so purchased may be pledged to the payment of bonds issued by the authority or may be resold to public or private purchasers at public or negotiated sale, in whole or in

part, separately or together with other local mandate claim receivables purchased by the authority.

(2) (A) All local entities to which the state owes moneys pursuant to Section 17617 shall be afforded the opportunity to sell their local mandate claim receivables to the authority.

(B) If the entities specified in subparagraph (A) offer local mandate claim receivables to the authority for purchase and duly authorize the sale of receivables pursuant to documentation approved by the authority, the authority shall purchase all local mandate claim receivables so offered to the extent it can sell bonds or otherwise raise funds therefor.

(3) The authority shall establish a reasonable deadline by which these entities shall offer their local mandate claim receivables for sale to the authority and complete the application required by the authority.

(4) For purposes of meeting costs incurred in performing its duties relative to the purchase and sale of local mandate claim receivables, the authority shall be authorized to charge a fee to each entity from which it purchases a receivable. Any fees so assessed by the authority shall not be passed on as costs to the state, but these fees may be paid from local mandate claim receivables purchased by the authority or from proceeds of bonds issued by the authority to purchase local mandate claim receivables.

~~(y)~~

(z) Set any other terms and conditions on any purchase or sale pursuant to this section as it deems by resolution to be necessary, appropriate, and in the public interest, in furtherance of the purposes of this article.

SEC. 3. Section 6588.71 is added to the Government Code, to read:

6588.71. (a) An authority may purchase, with the proceeds of its bonds or its revenue, local mandate claim receivables from one or more local agencies. The authority may pledge, assign, resell, or otherwise transfer or hypothecate any local mandate claim receivables for the purpose of securing bonds issued to finance the purchase price of the local mandate claim receivables.

(b) Notwithstanding any other law, local agencies may sell local mandate claim receivables to the authority and enter into one or more sales agreements with an authority as, and on the terms, the

local agency deems appropriate. A local agency shall not sell less than 100 percent of its total local mandate claim receivable. The sales agreement may include covenants of, and binding on, the local agency as necessary to establish and maintain the security of bonds issued by the authority for the purpose of purchasing the local mandate claim receivables and, if applicable, the exclusion from gross income of interest on the bonds for federal income tax purposes. Any transfer of a local mandate claim receivable by a local agency to the authority under this article that the governing documents state is a sale shall be treated as an absolute sale and transfer of the property so transferred to the authority and not as a pledge or grant of a security interest by the local agency to secure a borrowing. The characterization of the transfer of any local mandate claim receivable as an absolute sale by the local agency shall not be negated or adversely affected by any of the following:

(1) The fact that only some of a local agency's local mandate claim receivables are transferred.

(2) The local agency's acquisition of an ownership interest in any residual interest or a subordinate interest in the local mandate claim receivable.

(3) Any characterization of the authority or its bonds for purposes of accounting, taxation, or securities regulation.

(4) The fact that the selling local agency is a member of the authority purchasing the local mandate claim receivable.

(5) Any other factor.

(c) On and after the effective date of each transfer of a local mandate claim receivable under this article that the governing documents state is a sale, the local agency shall have no right, title, or interest in or to the local mandate claim receivable transferred, and the local mandate claim receivable so transferred shall be the property of the authority and not of the local agency, and shall be owned, received, held, and disbursed only by the authority or any trustee or agent of the authority appointed by the authority. Any sale of any local mandate claim receivable shall automatically be perfected without the need for physical delivery, recordation, filing, or further act, and the provisions of Division 9 (commencing with Section 9101) of the Commercial Code and Sections 954.5 to 955.1, inclusive, of the Civil Code shall not apply to the sale. None of the local mandate claim receivables sold by

the local agency pursuant to this article shall be subject to garnishment, levy, execution, attachment, or other process, writ, including, but not limited to, a writ of mandate, or remedy in connection with the assertion or enforcement of any debt, claim, settlement, or judgment against the local agency. On or before the effective date of any sale of a local mandate claim receivable, the authority shall notify the Controller that the local mandate claim receivable has been sold to the authority and irrevocably instruct the state that, as of the effective date, payments on the local mandate claim receivable so sold are to be made directly to the authority or any trustee or agent appointed by the authority. A local mandate claim receivable shall be considered paid in full to the local agency upon the effective date of the sale.

SEC. 4. Section 6590 of the Government Code is amended to read:

6590. The authority may, from time to time, issue its bonds in the principal amount as the authority determines necessary to provide sufficient funds for its purposes, which may include, but shall not be limited to, providing funds for bond purchase agreements, payment of the purchase price of VLF receivables, ~~payment of the purchase price of~~ Proposition 1A receivables, *local mandate claim receivables*, payment of interest on bonds of the authority, establishment of reserves to secure the bonds, and other expenditures of the authority incident to issuance of the bonds. The authority may also issue bonds for the purpose of making loans to local agencies, to the extent those local agencies are authorized by law to borrow moneys, or to purchase VLF receivables from local agencies as provided in Section 6588.5,~~ or to purchase~~ Proposition 1A receivables as provided in Section 6588.6, *local mandate claim receivables as provided in Section 6588.71,* and the loan or sale proceeds shall be used by the local agencies to pay for public capital improvements, working capital, or insurance programs. The aggregate principal amount of all bonds issued pursuant to this section that are backed by Proposition 1A receivables shall not exceed two billion two hundred fifty million dollars ($2,250,000,000), and that issuance shall be approved by the Department of Finance and the Treasurer.

In the case of any authority in existence on January 1, 1988, no loans shall be made to local agencies for working capital or insurance, unless that purpose is first approved by resolution of the governing body of the authority by unanimous vote of all members of the governing body.

SEC. 5. Section 6591 of the Government Code is amended to read:

6591. (a) The authority is authorized from time to time to issue bonds to provide funds to achieve its purposes.

(b) Bonds may be authorized to finance any of the following:

(1) A single public capital improvement, working capital, purchase of VLF receivables, purchase of Proposition 1A receivables, *purchase of local mandate claim receivables,* or insurance program for a single local agency.

(2) A series of public capital improvements, working capital, purchases of VLF receivables,~~, purchase~~ *purchases* of Proposition 1A receivables, *purchases of local mandate claim receivables,* or insurance~~ program~~ *programs* for a single local agency.

(3) A single public capital improvement, working capital, ~~purchases~~ *purchase* of Proposition 1A receivables,~~, or purchases~~ *purchase* of VLF receivables, *purchase of local mandate claim receivables,* or insurance program for two or more local agencies.

(4) A series of public capital improvements, working capital, purchases of VLF receivables~~ or~~, purchases of Proposition 1A receivables, *purchases of local mandate claim receivables,* or insurance programs for two or more local agencies.

(c) Bonds issued for the purpose of financing working capital shall be used to make loans to local agencies for any of the purposes for which a local agency may borrow money pursuant to Section 53852. The loans shall be repaid in accordance with the terms of Section 53854.

(d) Except as otherwise expressly provided by the authority, every issue of its bonds shall be general obligations of the authority payable from any revenues or moneys of the authority available therefor and not otherwise pledged. These revenues or moneys may include the proceeds of additional bonds, subject only to any agreements with the holders of particular bonds pledging any particular revenues or moneys. Notwithstanding that the bonds may be payable from a special fund, these bonds shall be deemed to be negotiable instruments for all purposes, subject only to the bond registration provisions.

(e) (1) The bonds may be issued as serial bonds or as term bonds, or the authority may issue bonds of both types. The bonds shall be authorized by resolution of the authority and shall, as provided by the resolution or indenture pursuant to which the bonds are issued, meet all of the following conditions:

(A) Bear the date of issuance.

(B) Bear the time of maturity, not exceeding 50 years from their date of issuance.

(C) Bear the rate of interest, either fixed or variable, and, if variable, not in excess of the maximum rate of interest specified therein.

(D) Be payable as to principal and interest at the time or times provided.

(E) Be in the denominations and in the form provided.

(F) Carry the registration privileges provided.

(G) Be executed in the manner provided.

(H) Be payable in lawful money of the United States at the place or places provided within or without the state.

(I) Be subject to the terms of redemption provided.

(2) Notwithstanding paragraph (1), the bonds backed by Proposition 1A receivables shall have a maturity date no later than August 1, 2013.

(3) For bonds backed by Proposition 1A receivables, both of the following shall apply:

(A) The option to call shall be exercised upon receipt by the authority of a timely written notification from the Director of Finance, but no earlier than 30 days after delivery by the director of a written notice of the intent to do so to the Joint Legislative Budget Committee.

(B) The bonds may bear interest payable on periodic interest payment dates or may accrue interest to their maturity date or any combination thereof, subject to the approval of the Department of Finance and the State Treasurer pursuant to subdivision (x) of Section 6588.

(f) The bonds shall be sold by the authority at the time and in the manner set out in the authority's resolution. The sale may be a public or private sale, and for price or prices, and on terms and conditions as the authority determines proper, after giving due consideration to the recommendations of any local agency to be assisted from the proceeds of the bonds. Pending preparation of the definitive bonds, the authority may issue interim receipts, certificates, or temporary bonds which shall be exchanged for definitive bonds. For bonds backed by Proposition 1A receivables, the authority shall use its best efforts to obtain the lowest overall cost of the bonds, and shall certify that it so used its best efforts. The authority shall, in consultation with the Treasurer and Department of Finance, structure the sale of the bonds backed by Proposition 1A receivables and shall include those terms and conditions approved by the Treasurer and the Department of Finance.

(g) In the case of bonds issued by an authority, on or after January 1, 1995, for the purpose of purchasing bonds of a local agency, all of the bonds of the local agency shall be purchased by the authority from the proceeds of the authority bonds within 90 days of the date of issuance of the authority bonds. Nothing in this subdivision shall be construed to preclude an authority from issuing parity bonds at any time.

SEC. 6. Section 6592 of the Government Code is amended to read:

6592. Any resolution authorizing any bonds or any issue of bonds may contain the following provisions, which shall be a part of the contract with the holders of the bonds to be authorized:

(a) Provisions pledging the full faith and credit of the authority, or pledging all or any part of the revenues of any public capital improvements, or any revenue-producing contract or contracts made by the authority with any local agency, any VLF receivables purchased pursuant to Section 6588.5, any Proposition 1A receivables purchased pursuant to Section 6588.6, *any local mandate claim receivables purchased pursuant to Section 6588.71*, or any other moneys of the authority, to secure the payment of the bonds, and of any special account, subject to those agreements with bondholders as may then exist.

(b) Provisions setting out the rentals, fees, purchase payments, loan repayments, and other charges, and the amounts to be raised in each year thereby, and the use and disposition of the revenues.

(c) Provisions setting aside reserves or sinking funds, and the regulation and disposition thereof.

(d) Limitations on the right of the authority or its agent to restrict and regulate the use of the public capital improvements to be financed out of the proceeds of the bonds or any particular issue of bonds.

(e) Limitations on the purpose to which the proceeds of sale of any issue of bonds may be applied, and pledging the proceeds to secure the payment of the bonds or any issue of the bonds.

(f) Limitations on the issuance of additional bonds, the terms upon which additional bonds may be issued and secured, and the refunding of outstanding bonds.

(g) The procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds and the holders thereof that are required to give consent thereto, and the manner in which the consent may be given.

(h) Limitations on expenditures for operating, administrative, or other expenses of the authority.

(i) Definitions of acts or omissions to act which constitute a default in the duties of the authority to holders of its obligations, and providing the rights and remedies of the holders in the event of a default.

(j) The mortgaging of any public capital improvements and the site thereof for the purpose of securing the bondholders.

(k) The mortgaging of land, improvements, or other assets owned by a local agency for the purpose of securing the bondholders.

(*l*) Procedures for the selection of public capital improvements to be financed with the proceeds of the bonds authorized by the resolution, if the bonds are to be sold in advance of designating the public capital improvements and the local agency to receive the financing.

SEC. 7. Section 6599.3 of the Government Code is amended to read:

6599.3. Notwithstanding any other provision of law, an action may be brought under Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure, to determine the validity of any bonds issued under this article to finance the purchase of bonds for local agencies, the financing of public capital improvements, or the purchase of VLF receivables pursuant to Section 6588.5 ~~or~~, Proposition 1A receivables pursuant to Section 6588.6, *or local mandate claim receivables pursuant to Section 6588.71*, and any contracts of sale of VLF receivables ~~or~~, Proposition 1A receivables, *or local mandate claim receivables* entered into by any local agency, and any related documents. If an action is commenced, the action shall be brought in the jurisdiction in which the authority maintains its principal office and is not required to be brought in the jurisdiction or jurisdictions of any of the local agencies. However, publication of summons, as provided in Section 861 of the Code of Civil Procedure, shall be made in the county in which the authority maintains its principal office and in each county in which any local agency that has sold bonds to the authority, for which a public capital improvement is being financed or that has entered into a sales agreement for a VLF receivable ~~or~~, a Proposition 1A receivable ~~where the authority is located~~, *or a local mandate claim receivable*.

SEC. 8. Section 17558.5 of the Government Code is amended to read:

17558.5. (a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim *by the Controller*. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

(b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim.

(c) The Controller shall notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review.

(d) The interest rate charged by the Controller on reduced claims shall be set at the Pooled Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied.

(e) Nothing in this section shall be construed to limit the adjustment of payments when inaccuracies are determined to be the result of the intent to defraud, or when a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.

(f) Except as provided in subdivision (e) of Section 17617, the sale of a reimbursement claim by a local agency pursuant to Section 6588.71 to an authority shall not limit the Controller's authority to audit, review, or adjust a claim of a local agency pursuant to this section.

SEC. 9. Section 17558.7 of the Government Code is amended to read:

17558.7. (a) If the Controller reduces a claim approved by the commission, the claimant may file with the commission an incorrect reduction claim pursuant to regulations adopted by the commission.

(b) A claimant eligible to file an incorrect reduction claim may file a consolidated incorrect reduction claim on behalf of other claimants whose claims for reimbursement under the same mandate are alleged to have been incorrectly reduced if all of the following apply:

(1) The method, act, or practice that the claimant alleges led to the reduction has led to similar reductions of other parties' claims, and all of the claims involve common questions of law or fact.

(2) The common questions of law or fact among the claims predominate over any matter affecting only an individual claim.

(3) The consolidation of similar claims by individual claimants would result in consistent decisionmaking by the commission.

(4) The claimant filing the consolidated claim would fairly and adequately protect the interests of the other claimants.

(c) A claimant that seeks to file a consolidated incorrect reduction claim shall, at the time it files an incorrect reduction claim, on a form provided by the commission, notify the commission of its intent to file a consolidated incorrect reduction claim.

(d) Within 10 days after receipt of an incorrect reduction claim and notice of intent to consolidate, the commission shall request that the Controller provide the commission and the claimant with a list of claimants for whom the Controller has reduced similar claims under the same mandate. Upon receipt of this list from the

Controller, the claimant may notify the claimants on the list and other interested parties of its intent to file a consolidated incorrect reduction claim.

(e) Within 30 days of receipt of the notice of intent to consolidate from the original claimant, on a form provided by the commission, any other eligible claimant shall file with the commission its notice of intent to join the consolidated incorrect reduction claim, which shall include a copy of the remittance advice or other notice from the Controller of the claim reduction, and one copy of the reimbursement claims for which an incorrect reduction is alleged.

(f) The commission shall notify each claimant that files an intent to join the consolidated incorrect reduction claim that it may opt out of the consolidated claim and not be bound by any determination made on that consolidated claim. A claimant may opt out of a consolidated claim no later than 15 days after the state agency files comments on the consolidated claim. A claimant that opts out of the consolidated claim, in order to preserve its right to challenge a reduction made by the Controller on that same mandate, shall file an individual incorrect reduction claim pursuant to commission requirements, no later than one year after opting out or within the statute of limitations under the commission's regulations.

(g) The commission shall adopt regulations establishing procedures for receiving a consolidated incorrect reduction claim pursuant to this section and for providing a hearing on a consolidated claim.

(h) Except as provided in subdivision (e) of Section 17617, the sale of a reimbursement claim by a local agency pursuant to Section 6588.71 to an authority shall not limit the right of the local agency to file an incorrect reduction claim pursuant to this section. If the Controller reduces a reimbursement claim that has been sold by a local agency pursuant to Section 6588.71, the claimant may file an incorrect reduction claim, pursuant to regulations adopted by the commission, no later than one year following the date of the Controller's written notice of adjustment that notifies the claimant of the reduction.

SEC. 10. 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 and for legislatively determined mandates in accordance with Section 17573.

(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 that 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.

(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~~ *Except as provided in Section 17617, the* Controller shall pay any eligible claim pursuant to this section by October 15 or 60 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 that 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 and school districts 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, the reasonable reimbursement methodology approved by the commission pursuant to Section 17557.2, or statutory declaration of a legislatively determined mandate and reimbursement methodology pursuant to Section 17573.

(A) When claiming instructions are issued by the Controller pursuant to Section 17558 for each mandate determined pursuant to Section 17551 or 17573 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, except the Controller may take either of the following actions:

(i) Audit the records of any local agency or school district to verify the actual amount of the mandated costs, the application of a reasonable reimbursement methodology, or application of a legislatively enacted reimbursement methodology under Section 17573.

(ii) Reduce any claim that 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 except as follows:

(A) The Controller may audit any of the following:

(i) Records of any local agency or school district to verify the actual amount of the mandated costs.

(ii) The application of a reasonable reimbursement methodology.

(iii) The application of a legislatively enacted reimbursement methodology under Section 17573.

(B) The Controller may reduce any claim that the Controller determines is excessive or unreasonable.

(C) The Controller shall adjust the payment to correct for any underpayments or overpayments that 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. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a state-mandated local program shall be considered as one claim for the purpose of computing any late claim penalty. Any claim for initial reimbursement filed after the filing deadline shall be reduced by 10 percent of the amount that would have been allowed had the claim been timely filed. 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 may 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.

(e) (1) Except as specified in paragraph (2), for the purposes of determining the state's payment obligation under paragraph (1) of subdivision (b) of Section 6 of Article XIII B of the Constitution, a mandate that is "determined in a preceding fiscal year to be payable by the state" means any mandate for which the commission adopted a statewide cost estimate pursuant to this part during a previous fiscal year or that were identified as mandates by a predecessor agency to the commission, or that the Legislature declared by statute to be a legislatively determined mandate, unless the mandate has been repealed or otherwise eliminated.

(2) If the commission adopts a statewide cost estimate for a mandate during the months of April, May, or June, the state's payment obligation under subdivision (b) of Section 6 of Article XIII B shall commence one year after the time specified in paragraph (1).

(f) Except as provided in subdivision (e) of Section 17617, the sale of a reimbursement claim by a local agency pursuant to

Section 6588.71 to an authority shall not limit the Controller's authority to audit, review, or adjust the payment to a local agency to correct for any underpayment or overpayment of a claim pursuant to this section.

SEC. 11. Section 17562 of the Government Code 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 state-mandated local programs imperative. Accordingly, it is the intent of the Legislature to increase information regarding state mandates and establish a method for regularly reviewing the costs and benefits of state-mandated local programs.

(b) (1) The Controller shall submit a report to the Joint Legislative Budget Committee and fiscal committees by October 31 of each fiscal year beginning with the 2007–08 fiscal year. This report shall summarize, by state mandate, the total amount of claims paid per fiscal year and the amount, if any, of mandate deficiencies or surpluses. *The total amount of claims paid per fiscal year shall also include a summary, by state mandate, of the reimbursement claims sold by a local agency to an authority as a local mandate claim receivable, pursuant to Section 6588.71, and the amount of the annual payments to an authority pursuant to Section 17617.* This report shall be made available in an electronic spreadsheet format. The report shall compare the estimated annual cost of each mandate in the preceding fiscal year to the amount determined to be payable by the state for that fiscal year.

(2) The Controller shall submit a report to the Joint Legislative Budget Committee, the applicable fiscal committees, and the Director of Finance by April 30 of each fiscal year. This report shall summarize, by state mandate, the total amount of unpaid claims by fiscal year that were submitted before April 1 of that fiscal year. The report shall also summarize any mandate deficiencies or surpluses. It shall be made available in an electronic spreadsheet, and shall be used for the purpose of determining the state's payment obligation under paragraph (1) of subdivision (b) of Section 6 of Article XIII B of the California Constitution.

(c) After the commission submits its second semiannual report to the Legislature pursuant to Section 17600, the Legislative

Analyst shall submit a report to the Joint Legislative Budget Committee and legislative fiscal committees on the mandates included in the commission's reports. The report shall make recommendations as to whether the mandate should be repealed, funded, suspended, or modified.

(d) In its annual analysis of the Budget Bill and based on information provided pursuant to subdivision (b), the Legislative Analyst shall report total annual state costs for mandated programs and, as appropriate, provide an analysis of specific mandates and make recommendations on whether the mandate should be repealed, funded, suspended, or modified.

(e) (1) A statewide association of local agencies or school districts 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 Education or the Assembly Committee on Local Government, as the case may be, and the Senate Committee on Education or the Senate Committee on Local Government, as the case may be, 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 December 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 annually to the Legislature by March 1 of the year subsequent to the year in which referrals are submitted to the Legislative Analyst.

(3) The Department of Finance shall review all statutes enacted each year that contain provisions making inoperative 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 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.

(f) 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 (e).

(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.

SEC. 12. Section 17617 of the Government Code is amended to read:

17617. *(a) (1)* The total amount due to each city, county, city and county, and special district, for which the state has determined that reimbursement is required under paragraph (2) of subdivision (b) of Section 6 of Article XIII B of the California Constitution, shall be appropriated for payment to these entities over a period of not more than 15 years, commencing with the Budget Act for the 2006–07 fiscal year and concluding with the Budget Act for the 2020–21 fiscal year.

(2) Within 120 days of the enactment of the act adding this paragraph, the Controller shall prepare a list of each reimbursement claim applied for and approved, but not yet paid, and related interest calculated as of December 31, 2010, for each city, county, city and county, and special district pursuant to paragraph (2) of subdivision (b) of Section 6 of Article XIII B of the California Constitution through June 30, 2004. This list shall be provided to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, and the Department of Finance. With respect to local mandate claim receivables sold to an authority pursuant to Section 6588.71, an authority and holders of the bonds issued by the authority for the purpose of purchasing

local mandate claim receivables shall be conclusively entitled to rely upon the list prepared and approved by the Controller pursuant to this section, and neither the Controller nor any other state agency may contest the amount of any of the mandate claims included in that list. This amount of local mandate claims for each city, county, city and county, and special district shall be the amount of the local mandate claim receivable defined in subdivision (j) of Section 6585. The amount of each local mandate claim receivable shall be paid in installments equal to the percentage of the total local mandate claim receivables on December 1 and June 1 each fiscal year, commencing December 1, 2011, according to the following schedule:

Payment Date	*Payment percentage*
December 1, 2011	*1.25 %*
June 1, 2012	*1.25 %*
December 1, 2012	*1.25 %*
June 1, 2013	*1.25 %*
December 1, 2013	*2.5 %*
June 1, 2014	*2.5 %*
December 1, 2014	*3.75 %*
June 1, 2015	*3.75 %*
December 1, 2015	*5 %*
June 1, 2016	*5 %*
December 1, 2016	*6.25 %*
June 1, 2017	*6.25 %*
December 1, 2017	*7.5 %*
June 1, 2018	*7.5 %*
December 1, 2018	*7.5 %*
June 1, 2019	*7.5 %*
December 1, 2019	*7.5 %*
June 1, 2020	*7.5 %*
December 1, 2020	*7.5 %*
June 1, 2021	*7.5 %*

(3) Except as provided in subdivision (b), in addition to the amounts in the schedule contained in this subdivision, the state shall pay interest on the unpaid balance of local mandate claim receivables sold by the local agency to an authority, pursuant to

Section 6588.71, calculated at an annual rate equivalent to 2 percent of the amount owed, beginning January 1, 2011. Except as provided in subdivision (b), in addition to the amounts in the schedule contained in this subdivision, the state shall pay interest on the unpaid principal balance due to a local agency on reimbursement claims that have not been sold by a local agency to an authority as a local mandate claim receivable, pursuant to Section 6588.71, calculated at a rate equivalent to the rate accrued on June 30 of the prior year by the Pooled Money Investment Account of the amount owed. Any interest due shall be paid at the same time as the scheduled installments pursuant to this section.

(4) Payments in the amounts prescribed, including interest payments, under this section are hereby continuously appropriated from the General Fund to each city, county, city and county, and special district that is eligible to receive those payments, as specified in paragraph (2), until all payments have been made as required by this section.

(b) Payments shall be made by the Controller in accordance with subdivision (a) to, or on the order of, each local agency entitled to payment. For local agencies that have elected to sell their rights to payment pursuant to Section 6588.71, payment shall be made by the Controller directly to the trustee designated by the authority as provided in Section 6588.71. Any state liability for interest that otherwise would be payable to a local agency for a claim, as described in subdivision (a), shall cease upon the sale of the right to payment to the authority, and the local agency shall not have a further right to payment, provided that the state shall continue to pay interest on the unpaid balance of a reimbursement claim sold to an authority as required by paragraph (3) of subdivision (a). For local agencies that elect not to sell their rights to payments pursuant to Section 6588.71, installment payments shall be applied to the oldest claims first.

(c) The payment of these amounts is mandated by the California Constitution and shall take priority over all other obligations of the state excepting payments to schools under Article XVI of the California Constitution, debt service on general obligation bonds, and amounts payable by the state pursuant to paragraph (1) of subdivision (e) of Section 100.06 of the Revenue and Taxation Code. The Controller shall take all prudent means to ensure that

sufficient sums are available to pay these amounts and all other amounts of higher priority.

(d) Effective on each payment date identified in subdivision (a), there shall be appropriated to the Controller an amount equal to the amount required to be paid to local agencies by subdivision (a). The payments shall occur no later than the dates specified in subdivision (a). However, nothing shall preclude the state from making the payments earlier than these dates, provided that the state shall still be obligated to continue to make interest payments as described in paragraph (3) of subdivision (a) in the same amounts and at the same times as if prepayment had not occurred.

(e) Notwithstanding any other law, including, but not limited to, Section 17561, the Controller shall pay the full amount of the local mandate claim that has been sold to an authority pursuant to Section 6588.71, plus interest on that claim, at the time and in the amounts required by this section without regard to audit findings, adjustments, offsets, or other claims.

(f) The Legislature finds that conclusively determining, no later than the deadline mandated under this section, the Controller's obligation to fully pay all amounts owed to local agencies pursuant to subdivision (a) and all accrued interest thereon is a matter of vital and urgent public importance.

SEC. 13. 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 to make necessary statutory changes to implement local mandate claim receivables at the earliest possible time, it is necessary for this act to take effect immediately.

~~SECTION 1. It is the intent of the Legislature to enact statutory changes relating to the Budget Act of 2010.~~

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