

AMENDED IN SENATE APRIL 6, 2011

SENATE BILL

No. 64

Introduced by Senator Liu

January 5, 2011

An act to amend Sections 17553, 17554, 17557, 17557.1, 17557.2; 17558.5; and 17574 of, and to add Sections 17553.1, ~~17553.2, and 17558.55~~ and 17553.2 to, the Government Code, relating to state mandates.

LEGISLATIVE COUNSEL'S DIGEST

SB 64, as amended, Liu. State mandates: school district test claims: procedure.

Under the California Constitution, whenever the Legislature or a state agency mandates a new program or higher level of service on any local government, including school districts, the state is required to provide a subvention of funds to reimburse the local government, with specified exceptions. Existing law establishes a test claim procedure for local governmental agencies to file claims for reimbursement of these costs with the Commission on State Mandates.

This bill would revise these provisions to require the commission to adopt procedures for receiving test claims ~~for~~ *from* school districts that eliminate specified existing requirements, ~~including, among others, requirements to file certain documents under penalty of perjury.~~ The bill would require the commission to create a school district test claim advisory committee, with a prescribed membership, for the purpose of ~~reviewing school district test claims and preparing a report for the commission that includes specified information consulting with commission staff regarding specified information relating to~~ *a school district test claim. The bill would require the commission staff to prepare*

an analysis of the test claim and a proposed statement of decision for consideration by the commission, as specified. The bill would also require the advisory committee to prepare and submit the parameters and guidelines for an approved test claim to the commission for approval on behalf of a school district claimant, as specified. ~~The bill would make a reimbursement claim filed by a school district claimant subject to the initiation of an audit by the Controller for up to 4 years after the date that the claim is filed.~~

~~The bill would require the Controller to adopt regulations that establish professional standards and internal controls for private companies that provide mandate claim preparation or filing services for school district claimants.~~

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

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

- 1 SECTION 1. Section 17553 of the Government Code is
- 2 amended to read:
- 3 17553. (a) The commission shall adopt procedures for
- 4 receiving claims filed by a local agency pursuant to this article
- 5 and Section 17574 and for providing a hearing on those claims.
- 6 The procedures shall do all of the following:
- 7 (1) Provide for presentation of evidence by the claimant, the
- 8 Department of Finance, and any other affected department or
- 9 agency, and any other interested person.
- 10 (2) Ensure that a statewide cost estimate is adopted within 12
- 11 months after receipt of a test claim, when a determination is made
- 12 by the commission that a mandate exists. This deadline may be
- 13 extended for up to six months upon the request of either the
- 14 claimant or the commission.
- 15 (3) Permit the hearing of a claim to be postponed at the request
- 16 of the claimant, without prejudice, until the next scheduled hearing.
- 17 (b) All test claims shall be filed by a local agency on a form
- 18 prescribed by the commission and shall contain at least the
- 19 following elements and documents:
- 20 (1) A written narrative that identifies the specific sections of
- 21 statutes or executive orders and the effective date and register
- 22 number of regulations alleged to contain a mandate and shall
- 23 include all of the following:

1 (A) A detailed description of the new activities and costs that
2 arise from the mandate.

3 (B) A detailed description of existing activities and costs that
4 are modified by the mandate.

5 (C) The actual increased costs incurred by the claimant during
6 the fiscal year for which the claim was filed to implement the
7 alleged mandate.

8 (D) The actual or estimated annual costs that will be incurred
9 by the claimant to implement the alleged mandate during the fiscal
10 year immediately following the fiscal year for which the claim
11 was filed.

12 (E) A statewide cost estimate of increased costs that all local
13 agencies will incur to implement the alleged mandate during the
14 fiscal year immediately following the fiscal year for which the
15 claim was filed.

16 (F) Identification of all of the following:

- 17 (i) Dedicated state funds appropriated for this program.
18 (ii) Dedicated federal funds appropriated for this program.
19 (iii) Other nonlocal agency funds dedicated for this program.
20 (iv) The local agency's general purpose funds for this program.
21 (v) Fee authority to offset the costs of this program.

22 (G) Identification of prior mandate determinations made by the
23 Commission on State Mandates or a predecessor agency that may
24 be related to the alleged mandate.

25 (H) Identification of a legislatively determined mandate pursuant
26 to Section 17573 that is on the same statute or executive order.

27 (2) The written narrative shall be supported with declarations
28 under penalty of perjury, based on the declarant's personal
29 knowledge, information, or belief, and signed by persons who are
30 authorized and competent to do so, as follows:

31 (A) Declarations of actual or estimated increased costs that will
32 be incurred by the claimant to implement the alleged mandate.

33 (B) Declarations identifying all local, state, or federal funds, or
34 fee authority that may be used to offset the increased costs that
35 will be incurred by the claimant to implement the alleged mandate,
36 including direct and indirect costs.

37 (C) Declarations describing new activities performed to
38 implement specified provisions of the new statute or executive
39 order alleged to impose a reimbursable state-mandated program.
40 Specific references shall be made to chapters, articles, sections,

1 or page numbers alleged to impose a reimbursable state-mandated
2 program.

3 (D) If applicable, declarations describing the period of
4 reimbursement and payments received for full reimbursement of
5 costs for a legislatively determined mandate pursuant to Section
6 17573, and the authority to file a test claim pursuant to paragraph
7 (1) of subdivision (c) of Section 17574.

8 (3) (A) The written narrative shall be supported with copies of
9 all of the following:

10 (i) The test claim statute that includes the bill number or
11 executive order, alleged to impose or impact a mandate.

12 (ii) Relevant portions of state constitutional provisions, federal
13 statutes, and executive orders that may impact the alleged mandate.

14 (iii) Administrative decisions and court decisions cited in the
15 narrative.

16 (B) State mandate determinations made by the Commission on
17 State Mandates or a predecessor agency and published court
18 decisions on state mandate determinations made by the
19 Commission on State Mandates are exempt from this requirement.

20 (4) A test claim shall be signed at the end of the document,
21 under penalty of perjury by the claimant or its authorized
22 representative, with the declaration that the test claim is true and
23 complete to the best of the declarant's personal knowledge,
24 information, or belief. The date of signing, the declarant's title,
25 address, telephone number, facsimile machine telephone number,
26 and electronic mail address shall be included.

27 (c) If a completed test claim is not received by the commission
28 within 30 calendar days from the date that an incomplete test claim
29 was returned by the commission, the original test claim filing date
30 may be disallowed, and a new test claim may be accepted on the
31 same statute or executive order.

32 (d) In addition, the commission shall determine whether an
33 incorrect reduction claim is complete within 10 days after the date
34 that the incorrect reduction claim is filed. If the commission
35 determines that an incorrect reduction claim is not complete, the
36 commission shall notify the local agency that filed the claim stating
37 the reasons that the claim is not complete. The local agency shall
38 have 30 days to complete the claim. The commission shall serve
39 a copy of the complete incorrect reduction claim on the Controller.
40 The Controller shall have no more than 90 days after the date the

claim is delivered or mailed to file any rebuttal to an incorrect reduction claim. The failure of the Controller to file a rebuttal to an incorrect reduction claim shall not serve to delay the consideration of the claim by the commission.

(e) *The term “local agencies” does not include a school district, which shall submit a test claim in the manner prescribed by Section 17553.1.*

SEC. 2. Section 17553.1 is added to the Government Code, to read:

17553.1. (a) The commission shall adopt procedures for receiving claims filed by a school district pursuant to this article and Section 17574 and for providing a hearing on those claims. The procedures shall do all of the following:

(1) Provide for presentation of evidence by the claimant, the Department of Finance, and any other affected department or agency, and any other interested person.

(2) Ensure that a ~~statewide cost estimate~~ *statement of decision, including a statewide cost estimate*, is adopted within 12 months after receipt of a test claim, when a determination is made by the commission that a mandate exists. ~~This deadline may be extended for up to six months upon the request of either the claimant or the commission.~~

(3) Permit the hearing of a claim to be postponed at the request of the claimant, without prejudice, until the next scheduled hearing.

~~(b) All test claims shall be filed by the school district on a form prescribed by the commission and shall contain a written narrative that identifies the specific sections of statutes or executive orders and the effective date and register number of regulations alleged to contain a mandate and shall include all of the following:~~

~~(1) A description of the new activities and costs that arise from the mandate.~~

~~(2) A description of existing activities and costs that are modified by the mandate.~~

(c) (1) The procedures for a test claim filed by a school district shall not require the test claim to include any of the elements or documents required pursuant to paragraphs (2) to (4), inclusive, of subdivision (b) of Section 17553.

(2) ~~Except as required by this section and Section 17553.2, the procedures adopted by the commission for a test claim filed by a school district need not vary from the procedures adopted by the~~

1 ~~commission for a test claim filed by a local agency pursuant to~~
2 ~~Section 17553.~~

3 *(b) All test claims shall be filed by the school district on a form*
4 *prescribed by the commission and shall contain at least the*
5 *following elements and documents:*

6 *(1) A written narrative that identifies the specific sections of*
7 *statutes or executive orders and the effective date and register*
8 *number of regulations alleged to contain a mandate and shall*
9 *include a detailed description of the new activities and costs that*
10 *arise from the mandate.*

11 *(2) The written narrative shall be supported with declarations*
12 *under penalty of perjury, based on the declarant's personal*
13 *knowledge, information, or belief, and signed by persons who are*
14 *authorized and competent to do so, as follows:*

15 *(A) Declarations of actual or estimated increased costs that*
16 *will be incurred by the claimant to implement the alleged mandate.*

17 *(B) Declarations describing new activities performed to*
18 *implement specified provisions of the new statute or executive*
19 *order alleged to impose a reimbursable state-mandated program.*

20 *(3) A test claim shall be signed at the end of the document, under*
21 *penalty of perjury by the claimant or its authorized representative,*
22 *with the declaration that the test claim is true and complete to the*
23 *best of the declarant's personal knowledge, information, or belief.*
24 *The date of signing, the declarant's title, address, telephone*
25 *number, facsimile machine telephone number, and electronic mail*
26 *address shall be included.*

27 ~~(d)~~

28 *(c) If a completed test claim is not received by the commission*
29 *within 30 calendar days from the date that an incomplete test claim*
30 *was returned by the commission, the original test claim filing date*
31 *may be disallowed, and a new test claim may be accepted on the*
32 *same statute or executive order.*

33 ~~(e)~~

34 *(d) In addition, the commission shall determine whether an*
35 *incorrect reduction claim is complete within 10 days after the date*
36 *that the incorrect reduction claim is filed. If the commission*
37 *determines that an incorrect reduction claim is not complete, the*
38 *commission shall notify the school district that filed the claim*
39 *stating the reasons that the claim is not complete. The school*
40 *district shall have 30 days to complete the claim. The commission*

1 shall serve a copy of the complete incorrect reduction claim on
2 the Controller. The Controller shall have no more than 90 days
3 after the date the claim is delivered or mailed to file any rebuttal
4 to an incorrect reduction claim. The failure of the Controller to
5 file a rebuttal to an incorrect reduction claim shall not serve to
6 delay the consideration of the claim by the commission.

7 SEC. 3. Section 17553.2 is added to the Government Code, to
8 read:

9 17553.2. (a) The commission shall establish a school district
10 test claim advisory committee. The membership of the advisory
11 committee shall be selected by, and serve at the pleasure of, the
12 commission, and include officials from the Department of Finance,
13 the State Department of Education, and the Controller's office,
14 and representatives of school agencies, including, but not limited
15 to, chief business officials, board members, and superintendents.
16 Commission staff shall provide technical expertise and other
17 support for the advisory committee.

18 ~~(b) The advisory committee shall review, prior to a hearing by~~
19 ~~the commission, any test claim filed by a school district. As part~~
20 ~~of the review, the advisory committee shall prepare and deliver to~~
21 ~~the commission a report and recommendation for the school district~~
22 ~~test claim that includes the following:~~

23 ~~(1) A written narrative that identifies the specific sections of~~
24 ~~statutes or executive orders and the effective date and register~~
25 ~~number of regulations alleged to contain a mandate.~~

26 ~~(2) A detailed description of the new activities and costs that~~
27 ~~arise from the mandate.~~

28 ~~(3) A detailed description of existing activities and costs that~~
29 ~~are modified by the mandate.~~

30 ~~(4) A statewide cost estimate of increased costs that school~~
31 ~~districts will incur to implement the alleged mandate during the~~
32 ~~fiscal year immediately following the fiscal year for which the~~
33 ~~claim was filed.~~

34 ~~(5) Identification of all of the following:~~

35 ~~(A) Dedicated state funds appropriated for this program.~~

36 ~~(B) Dedicated federal funds appropriated for this program.~~

37 ~~(C) Other nonlocal agency funds dedicated for this program.~~

38 ~~(D) The school district's general purpose funds for this program.~~

39 ~~(E) Fee authority to offset the costs of this program.~~

1 ~~(6) Identification of prior mandate determinations made by the~~
2 ~~Commission on State Mandates or a predecessor agency that may~~
3 ~~be related to the alleged mandate.~~

4 ~~(7) Identification of a legislatively determined mandate pursuant~~
5 ~~to Section 17573 that is on the same statute or executive order.~~

6 *(b) Within three months of a school district filing a test claim,*
7 *the commission staff shall consult with the advisory committee*
8 *regarding each of the following:*

9 *(1) Any new activities and costs, or modifications of existing*
10 *activities and costs, that allegedly arise from the specific statutes*
11 *or executive orders that are identified in the test claim.*

12 *(2) A statewide cost estimate of increased costs that school*
13 *districts will incur to implement the alleged mandate during the*
14 *fiscal year for which the claim was filed.*

15 *(3) Identification of all of the following:*

16 *(A) Dedicated state funds appropriated for this program.*

17 *(B) Dedicated federal funds appropriated for this program.*

18 *(C) Other nonlocal agency funds dedicated for this program.*

19 *(4) Identification of prior mandate determinations made by the*
20 *commission or a predecessor agency that may be related to the*
21 *alleged mandate.*

22 *(5) Identification of a legislatively determined mandate pursuant*
23 *to Section 17573 that is on the same statute or executive order.*

24 *(c) The commission staff shall prepare an analysis and a*
25 *proposed statement of decision for consideration by the commission*
26 *for each test claim filed by a school district. Commission staff shall*
27 *provide the legal analysis necessary for the commission to make*
28 *a determination whether the statutes or executive orders specified*
29 *in the test claim contain reimbursable mandates. The analysis*
30 *shall include, where appropriate, recommendations from the*
31 *advisory committee regarding activities and costs arising from the*
32 *statutes or executive orders identified in the test claim, including,*
33 *but not limited to, the information contained in paragraphs (2) to*
34 *(5), inclusive, of subdivision (b).*

35 *(d) The commission shall issue a statement of decision, including*
36 *a statewide cost estimate, within 12 months of the filing of a test*
37 *claim by a school district, as required by Section 17553.1, if the*
38 *commission determines that a mandate exists.*

39 SEC. 4. Section 17554 of the Government Code is amended
40 to read:

1 17554. With the agreement of all parties to the claim, the
2 commission may waive the application of any procedural
3 requirement imposed by this chapter or pursuant to Sections 17553,
4 17553.1, and 17553.2. The authority granted by this section
5 includes the consolidation of claims and the shortening of time
6 periods.

7 SEC. 5. Section 17557 of the Government Code is amended
8 to read:

9 17557. (a) If the commission determines there are costs
10 mandated by the state pursuant to Section 17551, it shall determine
11 the amount to be subvended to local agencies and school districts
12 for reimbursement. In so doing it shall adopt parameters and
13 guidelines for reimbursement of any claims relating to the statute
14 or executive order. For purposes of a test claim filed by a local
15 agency, the successful test claimants shall submit proposed
16 parameters and guidelines within 30 days of adoption of a statement
17 of decision on a local agency test claim. For purposes of a test
18 claim filed by a school district, the advisory committee established
19 pursuant to Section 17553.2 shall develop proposed parameters
20 and guidelines on behalf of a school district claimant and shall
21 submit the proposed parameters and guidelines within 30 days of
22 adoption of a statement of decision on a school district test claim,
23 for final adoption by the commission within the timeframe
24 established by paragraph (2) of subdivision (a) of Section 17553.1.
25 The proposed parameters and guidelines may include proposed
26 reimbursable activities that are reasonably necessary for the
27 performance of the state-mandated program. At the request of a
28 successful local agency test claimant or the school district test
29 claim advisory committee, the commission may provide for one
30 or more extensions of this 30-day period at any time prior to its
31 adoption of the parameters and guidelines. For purposes of a local
32 agency test claim, if proposed parameters and guidelines are not
33 submitted within the 30-day period and the commission has not
34 granted an extension, then the commission shall notify the test
35 claimant that the amount of reimbursement the test claimant is
36 entitled to for the first 12 months of incurred costs will be reduced
37 by 20 percent, unless the test claimant can demonstrate to the
38 commission why an extension of the 30-day period is justified.

39 (b) In adopting parameters and guidelines, the commission may
40 adopt a reasonable reimbursement methodology. For purposes of

1 a school district test claim, it shall be the policy of the state for the
2 commission to adopt parameters and guidelines reflecting the
3 following preferences in serial order:

4 (1) A unit rate reasonable reimbursement methodology.

5 (2) A standard rate reasonable reimbursement methodology as
6 appropriate to a particular mandate.

7 (3) Actual cost parameters and guidelines.

8 (c) The parameters and guidelines adopted by the commission
9 shall specify the fiscal years for which local agencies and school
10 districts shall be reimbursed for costs incurred. However, the
11 commission may not specify in the parameters and guidelines any
12 fiscal year for which payment could be provided in the annual
13 Budget Act.

14 (d) (1) A local agency, school district, the advisory committee
15 established by Section 17553.2, or the state may file a written
16 request with the commission to amend the parameters or guidelines.
17 The commission may, after public notice and hearing, amend the
18 parameters and guidelines. A parameters and guidelines amendment
19 submitted within 90 days of the claiming deadline for initial claims,
20 as specified in the claiming instructions pursuant to Section 17561,
21 shall apply to all years eligible for reimbursement as defined in
22 the original parameters and guidelines. A parameters and guidelines
23 amendment filed more than 90 days after the claiming deadline
24 for initial claims, as specified in the claiming instructions pursuant
25 to Section 17561, and on or before the claiming deadline following
26 a fiscal year, shall establish reimbursement eligibility for that fiscal
27 year.

28 (2) For purposes of this subdivision, the request to amend
29 parameters and guidelines may be filed to make any of the
30 following changes to parameters and guidelines, consistent with
31 the statement of decision:

32 (A) Delete any reimbursable activity that has been repealed by
33 statute or executive order after the adoption of the original or last
34 amended parameters and guidelines.

35 (B) Update offsetting revenues and offsetting savings that apply
36 to the mandated program and do not require a new legal finding
37 that there are no costs mandated by the state pursuant to subdivision
38 (e) of Section 17556.

39 (C) Include or amend a reasonable reimbursement methodology
40 for all or some of the reimbursable activities.

1 (D) Clarify what constitutes reimbursable activities.

2 (E) Add new reimbursable activities that are reasonably
3 necessary for the performance of the state-mandated program.

4 (F) Define what activities are not reimbursable.

5 (G) Consolidate the parameters and guidelines for two or more
6 programs.

7 (H) Amend the boilerplate language. For purposes of this
8 section, “boilerplate language” means the language in the
9 parameters and guidelines that is not unique to the state-mandated
10 program that is the subject of the parameters and guidelines.

11 (e) A test claim shall be submitted on or before June 30
12 following a fiscal year in order to establish eligibility for
13 reimbursement for that fiscal year. The claimant may thereafter
14 amend the test claim at any time, but before the test claim is set
15 for a hearing, without affecting the original filing date as long as
16 the amendment substantially relates to the original test claim.

17 (f) In adopting parameters and guidelines, the commission shall
18 consult with the Department of Finance, the affected state agency,
19 the Controller, the fiscal and policy committees of the Assembly
20 and Senate, the Legislative Analyst, and the claimants to consider
21 a reasonable reimbursement methodology that balances accuracy
22 with simplicity.

23 (g) The advisory committee established pursuant to Section
24 17553.2 shall review the parameters and guidelines for a school
25 district test claim at least once every three years. If the advisory
26 committee determines that the parameters and guidelines require
27 revision, the advisory committee shall propose revisions to be
28 considered by the commission by filing a written request in the
29 manner prescribed by this section.

30 SEC. 6. Section 17557.1 of the Government Code is amended
31 to read:

32 17557.1. (a) Notwithstanding any other provision of this part,
33 within 30 days of the commission’s adoption of a statement of
34 decision on a test claim, the Department of Finance and either the
35 local agency test claimant or the school district test claim advisory
36 committee, respectively, may notify the executive director of the
37 commission in writing of their intent to follow the process
38 described in this section to develop a reasonable reimbursement
39 methodology and statewide estimate of costs for the initial claiming
40 period and budget year for reimbursement of costs mandated by

1 the state in accordance with the statement of decision. The letter
2 of intent shall include the date on which the Department of Finance
3 and the local agency test claimant or the school district test claim
4 advisory committee will submit a plan to ensure that costs from a
5 representative sample of eligible local agency or school district
6 claimants are considered in the development of a reasonable
7 reimbursement methodology.

8 (b) This plan shall also include all of the following information:

9 (1) The date on which the Department of Finance and the local
10 agency test claimant or the school district test claim advisory
11 committee will provide to the executive director an informational
12 update regarding their progress in developing the reasonable
13 reimbursement methodology.

14 (2) The date on which the Department of Finance and the local
15 agency test claimant or the school district test claim advisory
16 committee will submit to the executive director the draft reasonable
17 reimbursement methodology and proposed statewide estimate of
18 costs for the initial claiming period and budget year. This date
19 shall be no later than 180 days after the date the letter of intent is
20 sent by the test claimant and Department of Finance to the
21 executive director.

22 (c) At the request of the Department of Finance and the local
23 agency test claimant or the school district test claim advisory
24 committee, the executive director may provide for up to four
25 extensions of this 180-day period.

26 (d) The Department of Finance, the local agency test claimant,
27 or the school district test claim advisory committee may notify the
28 executive director at any time that the claimant, advisory
29 committee, or Department of Finance no longer intends to develop
30 a reasonable reimbursement methodology pursuant to this section.
31 In this case, paragraph (2) of subdivision (a) of Section 17553 and
32 Section 17557 shall apply to a local agency test claim, and
33 paragraph (2) of subdivision (a) of Section 17553.1 and Section
34 17557 shall apply for a school district test claim. Upon receipt of
35 this notification, the executive director shall notify the local agency
36 test claimant or the school district test claim advisory committee,
37 as appropriate, of the duty to submit proposed parameters and
38 guidelines within 30 days under subdivision (a) of Section 17557.

39 SEC. 7. Section 17557.2 of the Government Code is amended
40 to read:

1 17557.2. (a) A reasonable reimbursement methodology
2 developed pursuant to Section 17557.1 or a joint request for early
3 termination of a reasonable reimbursement methodology shall
4 have broad support from a wide range of local agencies or school
5 districts. The Department of Finance and the local agency test
6 claimant or the school district test claim advisory committee may
7 demonstrate broad support from a wide range of local agencies or
8 school districts in different ways, including, but not limited to,
9 obtaining endorsement by one or more statewide associations of
10 local agencies or school districts and securing letters of approval
11 from local agencies or school districts.

12 (b) No later than 60 days before a commission hearing, the
13 Department of Finance and the local agency test claimant or the
14 school district test claim advisory committee shall submit to the
15 commission a joint proposal that shall include all of the following:

16 (1) The draft reasonable reimbursement methodology.

17 (2) The proposed statewide estimate of costs for the initial
18 claiming period and budget year.

19 (3) A description of the steps the Department of Finance and
20 the local agency test claimant or the school district test claim
21 advisory committee undertook to determine the level of support
22 by local agencies or school districts for the draft reasonable
23 reimbursement methodology.

24 (4) An agreement that the reasonable reimbursement
25 methodology developed and approved under this section shall be
26 in effect for a period of five years unless a different term is
27 approved by the commission, or upon submission to the
28 commission of a letter indicating the Department of Finance and
29 the local agency test claimant's or school district test claim
30 advisory committee's joint interest in early termination of the
31 reasonable reimbursement methodology.

32 (5) An agreement that, at the conclusion of the period established
33 in paragraph (4), the Department of Finance and the local agency
34 test claimant or the school district test claim advisory committee
35 will consider jointly whether amendments to the methodology are
36 necessary.

37 (c) The commission shall approve the draft reasonable
38 reimbursement methodology if review of the information submitted
39 pursuant to Section 17557.1 and subdivision (b) of this section
40 demonstrates that the draft reasonable reimbursement methodology

1 and statewide estimate of costs for the initial claiming period and
2 budget year have been developed in accordance with Section
3 17557.1 and meet the requirements of subdivision (a). The
4 commission thereafter shall adopt the proposed statewide estimate
5 of costs for the initial claiming period and budget year. Statewide
6 cost estimates adopted under this section shall be included in the
7 report to the Legislature required under Section 17600 and shall
8 be reported by the commission to the appropriate Senate and
9 Assembly policy and fiscal committees, the Legislative Analyst,
10 and the Department of Finance not later than 30 days after
11 adoption.

12 (d) Unless amendments are proposed pursuant to this
13 subdivision, the reasonable reimbursement methodology approved
14 by the commission pursuant to this section shall expire after either
15 five years, any other term approved by the commission, or upon
16 submission to the commission of a letter indicating the Department
17 of Finance's and the local agency test claimant's or school district
18 test claim advisory committee's joint interest in early termination
19 of the reasonable reimbursement methodology.

20 (e) The commission shall approve a joint request for early
21 termination of a reasonable reimbursement methodology if the
22 request meets the requirements of subdivision (a). If the
23 commission approves a joint request for early termination, the
24 commission shall notify the local agency test claimant or school
25 district test claim advisory committee of the duty to submit
26 proposed parameters and guidelines to the commission pursuant
27 to subdivision (a) of Section 17557.

28 (f) At least one year before the expiration of a reasonable
29 reimbursement methodology, the commission shall notify the
30 Department of Finance and the test claimant or school district test
31 claim advisory committee that they may do one of the following:

32 (1) Jointly propose amendments to the reasonable reimbursement
33 methodology by submitting the information described in paragraphs
34 (1), (3), and (4) of subdivision (b), and providing an estimate of
35 the mandate's annual cost for the subsequent budget year.

36 (2) Jointly propose that the reasonable reimbursement
37 methodology remain in effect.

38 (3) Allow the reasonable reimbursement methodology to expire
39 and notify the commission that the local agency test claimant or
40 school district test claim advisory committee will submit proposed

parameters and guidelines to the commission pursuant to subdivision (a) of Section 17557 to replace the reasonable reimbursement methodology.

(g) The commission shall either approve the continuation of the reasonable reimbursement methodology or approve the jointly proposed amendments to the reasonable reimbursement methodology if the information submitted in accordance with paragraph (1) of subdivision (f) demonstrates that the proposed amendments were developed in accordance with Section 17557.1 and meet the requirements of subdivision (a) of this section.

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 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 local agency 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. A reimbursement claim filed by a school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than four years after the date that the actual reimbursement claim is filed or last amended, whichever is later. 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~~

1 be imposed on the dollar amount of the overpaid claim from the
2 time the claim was paid until overpayment is satisfied.

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

8 SEC. 9. ~~Section 17558.55 is added to the Government Code,~~
9 ~~to read:~~

10 17558.55. ~~The Controller shall adopt regulations that establish~~
11 ~~professional standards and internal controls for private companies~~
12 ~~that provide mandate claim preparation or filing services for school~~
13 ~~district test claims. Any private company that provides mandate~~
14 ~~claim preparation or filing services for a school district shall~~
15 ~~comply with regulations adopted by the Controller and shall~~
16 ~~contract every three years to have an independent auditor verify~~
17 ~~that the company has implemented, and remains in ongoing~~
18 ~~compliance with, these regulations.~~

19 SEC. 10.

20 SEC. 8. Section 17574 of the Government Code is amended
21 to read:

22 17574. (a) A local agency or school district agrees to the
23 following terms and conditions when it accepts reimbursement for
24 a legislatively determined mandate pursuant to Section 17573:

25 (1) Any unpaid reimbursement claims the local agency or school
26 district has previously filed with the Controller pursuant to Section
27 17561 and derived from parameters and guidelines or reasonable
28 reimbursement methodology shall be deemed withdrawn if they
29 are on the same statute or executive order of a legislatively
30 determined mandate and for the same period of reimbursement.

31 (2) The payment of the amount agreed upon pursuant to Section
32 17573 constitutes full reimbursement of its costs for that mandate
33 for the applicable period of reimbursement.

34 (3) The methodology upon which the payment is calculated is
35 an appropriate reimbursement methodology for the term specified
36 in subdivision (e) of Section 17573.

37 (4) A test claim filed with the commission by a local agency or
38 school district on the same statute or executive order as a
39 legislatively determined mandate shall be withdrawn.

1 (5) A test claim on the same statute or executive order as a
2 legislatively determined mandate will not be filed with the
3 commission except as provided in subdivision (c).

4 (b) If a local agency or school district rejects reimbursement
5 for a legislatively determined mandate pursuant to Section 17573,
6 a local agency or school district may take over a withdrawn test
7 claim within six months after the date the test claim is withdrawn,
8 by substitution of parties and compliance with the filing
9 requirements in subdivision (b) of Section 17553 or subdivision
10 (b) of Section 17553.1, as specified in the commission's notice of
11 withdrawal.

12 (c) (1) Notwithstanding Section 17551 and subdivision (b) of
13 Section 17573, a local agency or school district may file a test
14 claim on the same statute or executive order as a legislatively
15 determined mandate if one of the following applies:

16 (A) The Legislature amends the reimbursement methodology
17 and the local agency or school district rejects reimbursement.

18 (B) The term of the legislatively determined mandate, as defined
19 in subdivision (e) of Section 17573, has expired.

20 (C) The term of the legislatively determined mandate, as defined
21 in subdivision (e) of Section 17573, is amended and the local
22 agency or school district rejects reimbursement under the new
23 term.

24 (D) The mandate is subject to subdivision (b) of Section 6 of
25 Article XIII B and the Legislature does both of the following:

26 (i) Fails to appropriate in the Budget Act funds to reimburse
27 local agencies for the full payable amount that has not been
28 previously paid based on the reimbursement methodology enacted
29 by the Legislature.

30 (ii) Does not repeal or suspend the mandate pursuant to Section
31 17581.

32 (2) A test claim filed pursuant to the authority granted by this
33 subdivision shall be filed within six months of the date an action
34 described in subparagraph (A), (B), (C), or (D) of paragraph (1)
35 occurs.

36 (d) Notwithstanding any other provision of this section, a local
37 agency or school district shall not file a test claim pursuant to this
38 section if the statute of limitations specified in subdivision (c) of
39 Section 17551 expired before the date a legislatively determined
40 mandate was adopted by the Legislature pursuant to Section 17573.

1 (e) Notwithstanding the period of reimbursement specified in
2 subdivision (e) of Section 17557, a test claim filed pursuant to this
3 section shall establish eligibility for reimbursement beginning with
4 the fiscal year of an action described in subparagraph (A), (B),
5 (C), or (D) of paragraph (1) of subdivision (c).

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