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B I L L R E F E R R A L

DATE: May 9, 1988 COMMITTEE ACTION: \_\_\_\_\_  
TO: Bill Carnazzo DATE: \_\_\_\_\_  
Betty Masuoka  
FROM: KENNETH EMANUELS, LEGISLATIVE REPRESENTATIVE  
REPLY NO LATER THAN: May 25, 1988

A.B. 3979 (McClintock) S.B. \_\_\_\_\_ Relating to State-mandated costs  
STATUS: improvements in the claims  
process.

Please review the attached measure to determine its effect upon the City of Sacramento and complete the following questions as appropriate. During your analysis of this measure, if questions arise, please feel free to contact Kenneth Emanuels at 442-0412. This questionnaire should be returned to the City Attorney's Office for presentation to the Council Committee on Law and Legislation. PLEASE LEAVE THE BILL ATTACHED TO THIS FORM.

If you think no Committee action on this bill should be taken, either because the bill is not of sufficient importance to the City or for any other reason, please mark here, do not fill out the rest of the form, and return this form to the City Attorney's Office. \_\_\_\_\_.

PLEASE TYPE YOUR RESPONSE

1. Briefly describe the provisions of the bill (attach additional sheets if necessary).  
See attached League of Cities analysis.

2. Should this measure be: (Please circle desired position)

- Supported       Opposed       Supported if Amended
- Placed on Watch List       Other (explain)

3. Please explain your reasons for the above determination, including how this measure effects your Department and the fiscal impact of this measure to the City. Please make your comments in a format that can be used in a letter to State officials. (Continue on next page or attach additional sheets if necessary.)

(Continue answer to Question No. 3 here)

Any assistance in getting the State to comply with State Constitution Article XIII B would be helpful. Generally, the State ignores its reimbursement responsibility pursuant to XIII B when it imposes local mandated programs.

4. Specify the City's legislative policy guideline(s) applicable to this measure (if any).

Support State compliance with XIII B.

5. If this measure could be amended to either improve its favorable aspects or to minimize its adverse aspects, which amendments would you propose?

Amendment to make non-reimbursed mandates null and void would be desirable but is not likely.

6. List known support or opposition to this measure by groups with which you are familiar and include addresses and phone numbers, if known. League of California Cities position:

Support. See attached League of Cities analysis.

7. Does this bill involve a State-mandated local program? If so, does the bill contain an S.B. 90 waiver, or an appropriation for allocation and disbursement to local agencies pursuant to Revenue and Taxation Code Section 2231?

Yes. Bill does not impose new State mandate.

8. Using a rating scale of 1 to 10 (with 10 as the most important), how important do you think this bill is to the City of Sacramento?

8

FORM COMPLETED BY:

~~Bill~~ Mike Medema

DATE:

5/24/88

**B I L L   R E F E R R A L**

**DATE:** May 25, 1988

**COMMITTEE ACTION:** \_\_\_\_\_

**TO:** Bill Carnazzo, Deputy City Attorney  
Betty Masuoka, Finance

**DATE:** \_\_\_\_\_

**FROM:** KENNETH EMANUELS, LEGISLATIVE REPRESENTATIVE

**REPLY NO LATER THAN:** May 25, 1988

**A.B. 3979 (McClintock) S.B.** \_\_\_\_\_

**Relating to state-mandated costs; improvements in the claims process.**

**STATUS:**

Please review the attached measure to determine its effect upon the City of Sacramento and complete the following questions as appropriate. During your analysis of this measure, if questions arise, please feel free to contact Kenneth Emanuels at 442-0412. This questionnaire should be returned to the City Attorney's Office for presentation to the Council Committee on Law and Legislation. **PLEASE LEAVE THE BILL ATTACHED TO THIS FORM.**

If you think no Committee action on this bill should be taken, either because the bill is not of sufficient importance to the City or for any other reason, please mark here, do not fill out the rest of the form, and return this form to the City Attorney's Office. \_\_\_\_\_

**PLEASE TYPE YOUR RESPONSE**

1. Briefly describe the provisions of the bill (attach additional sheets if necessary).

This bill streamlines the mandate reimbursement process, and contains two significant changes of a substantive nature: (1) delays the implementation of unfunded mandates to the next year; and (2) requires the controller to pay estimated claims without desk audit.

2. Should this measure be: (Please circle desired position)

Supported

Opposed

Supported if Amended

Placed on Watch List

Other (explain)

3. Please explain your reasons for the above determination, including how this measure effects your Department and the fiscal impact of this measure to the City. Please make your comments in a format that can be used in a letter to State officials. (Continue on next page or attach additional sheets if necessary.)

This bill will enable claims to be filed and determined by the Mandates Commission before the mandate becomes effective, so that no expense need be incurred beforehand. This saves having to pay and then try to get reimbursed. Also, the \$1,000,000 limit for the automatic fund is more realistic than the present \$500,000.

(Continue answer to Question No. 3 here)

4. Specify the City's legislative policy guideline(s) applicable to this measure (if any).

N/A

5. If this measure could be amended to either improve its favorable aspects or to minimize its adverse aspects, which amendments would you propose?

N/A

6. List known support or opposition to this measure by groups with which you are familiar and include addresses and phone numbers, if known. League of California Cities position: Support

Also supported by County Supervisors Association of California.

7. Does this bill involve a State-mandated local program? If so, does the bill contain an S.B. 90 waiver, or an appropriation for allocation and disbursement to local agencies pursuant to Revenue and Taxation Code Section 2231?

No.

8. Using a rating scale of 1 to 10 (with 10 as the most important), how important do you think this bill is to the City of Sacramento?

10

FORM COMPLETED BY: WILLIAM P. CARNAZZO

DATE: 5/10/88

AMENDED IN ASSEMBLY MAY 25, 1988  
AMENDED IN ASSEMBLY APRIL 12, 1988

CALIFORNIA LEGISLATURE—1987-88 REGULAR SESSION

**ASSEMBLY BILL**

**No. 3979**

**Introduced by Assembly Member McClintock**

February 18, 1988

An act to amend Sections ~~17555, 17557, 17558, 17561, 17557~~ and 17610 of, and to add Sections 17554 and 17580 to, the Government Code, relating to state-mandated local costs, ~~making an appropriation therefor,~~ and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 3979, as amended, McClintock. State-mandated local programs.

Existing law requires the state to reimburse local agencies and school districts for costs incurred by them in carrying out state-mandated programs, and specifies a procedure by which they may file claims for reimbursement with the Commission on State Mandates for review and payment.

This bill would do all of the following:

(1) Authorize the commission to waive the application of any procedural requirement for the review and payment of a claim in order to expedite action on the claim, with the agreement of all parties to the claim.

(2) Require the commission, upon receipt of a test claim based upon a statute or executive order, to set a date for a public hearing on the claim within 120 days of the filing of the claim or within any additional period of time as may be determined by the commission with the agreement of all parties to the claim.

(3) Require that a test claim for estimated costs that may

be incurred be submitted to the commission on or before December 31, instead of November 30, following a fiscal year in order to establish eligibility for reimbursement for that fiscal year.

~~(4) Permit, rather than require, the Controller to audit any claim based upon estimated costs.~~

~~(5) Provide for the payment of interest on amounts due based on any first-time claim when the claim is not paid within specified periods after the claim filing deadline.~~

~~(6)~~

(3) Require that any bill which mandates a new program or higher level of service requiring reimbursement of local agencies or school districts pursuant to the California Constitution, to contain a section specifying that the provisions of the bill imposing the mandate shall become operative on a date on or after the July 1 following the date on which the bill will take effect, unless the bill contains an appropriation for the reimbursement.

Existing law provides that the costs arising from a statute containing a statement that the statute mandates a new program or higher level of service and specifying that reimbursement shall be made from the State Mandates Claims Fund, shall be paid from the fund upon certification if the estimated statewide cost of the claim does not exceed \$500,000. *No claim for initial reimbursement may be filed with the Controller more than 120 days after the close of the 1st full fiscal year following certification of the estimated statewide cost.*

This bill would delete the requirement that the statute specify that reimbursement shall be made from the State Mandates Claims Fund and would increase from \$500,000 to \$1,000,000 the amount of these costs which would be required to be paid from the fund. *The bill would authorize the Controller to withhold up to 20% of the amount of any timely filed claim for initial reimbursement and would allow the filing of any late claims for initial reimbursement, subject to a 20% penalty. The bill would also authorize the Controller to withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless funds are available to pay the claim after all timely filed claims have*

been paid.

The bill would also appropriate an unspecified amount from the General Fund to the Controller for allocation to local agencies to reimburse them for specified state/mandated costs incurred by them relating to the purchase of wildland firefighting equipment.

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

Vote:  $\frac{2}{3}$ . Appropriation: yes no. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. Section 17554 is added to the  
2 Government Code, to read:

3 17554. With the agreement of all parties to the claim,  
4 the commission may waive the application of any  
5 procedural requirement imposed by this chapter or  
6 pursuant to Section 17553 in order to expedite action on  
7 the claim. The authority granted by this section includes  
8 the consolidation of claims and the shortening of time  
9 periods.

10 SEC. 2. Section 17555 of the Government Code is  
11 amended to read:

12 17555. The commission, within 10 days after receipt of  
13 a test claim based upon a statute or executive order, shall  
14 set a date for a public hearing on the claim within 120  
15 days of the filing of the claim or within any additional  
16 period of time as may be determined by the commission  
17 with the agreement of all parties to the claim. The test  
18 claim may be based upon estimated costs that a local  
19 agency or school district may incur as a result of the  
20 statute or executive order and may be filed at any time  
21 after the statute is enacted or the executive order is  
22 adopted. The claim shall be submitted in a form  
23 prescribed by the commission. After a hearing in which  
24 the claimant and any other interested organization or  
25 individual may participate, the commission shall  
26 determine if there are costs mandated by the state.

27 SEC. 3.

1     **SEC. 2.** Section 17557 of the Government Code is  
2 amended to read:

3     17557. If the commission determines there are costs  
4 mandated by the state pursuant to Section 17555, it shall  
5 determine the amount to be subvented to local agencies  
6 and school districts for reimbursement. In so doing it shall  
7 adopt parameters and guidelines for reimbursement of  
8 any claims relating to the statute or executive order. A  
9 local agency, school district, and the state may file a claim  
10 or request with the commission to amend, modify, or  
11 supplement the parameters or guidelines. The  
12 commission may, after public notice and hearing, amend,  
13 modify, or supplement the parameters and guidelines.

14     In adopting parameters and guidelines, the  
15 commission may adopt an allocation formula or uniform  
16 allowance which would provide for reimbursement of  
17 each local agency or school district of a specified amount  
18 each year.

19     The parameters and guidelines adopted by the  
20 commission shall specify the fiscal years for which local  
21 agencies and school districts shall be reimbursed for costs  
22 incurred, provided, however, that the commission shall  
23 not specify therein any fiscal year for which payment  
24 could be provided in the annual Budget Act. A test claim  
25 shall be submitted on or before December 31 following  
26 a fiscal year in order to establish eligibility for  
27 reimbursement for that fiscal year.

28     **SEC. 4.** Section 17558 of the Government Code is  
29 amended to read:

30     17558. The commission shall submit the adopted  
31 parameters and guidelines to the Controller. All claims  
32 relating to a statute or executive order which are filed  
33 after the determination of the test claim pursuant to  
34 Section 17557 shall be transferred to the Controller who  
35 shall pay the claims from funds made available for that  
36 purpose. The Controller shall audit each claim for costs  
37 actually incurred and may audit any claim based upon  
38 estimated costs.

39     **SEC. 5.** Section 17561 of the Government Code is  
40 amended to read:



1 17561. (a) The state shall reimburse each local  
2 agency and school district for all "costs mandated by the  
3 state," as defined in Section 17514.

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

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

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

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

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

34 (d) The Controller shall disburse reimbursement  
35 funds to local agencies or school districts if the costs of  
36 these mandates are not payable to state agencies, or to  
37 state agencies who would otherwise collect the costs of  
38 these mandates from local agencies or school districts in  
39 the form of fees, premiums, or payments. When  
40 disbursing reimbursement funds to local agencies or

1 school districts, the Controller shall reimburse them as  
2 follows:

3 (1) When funds are appropriated to reimburse costs  
4 mandated by the state for the initial fiscal year during  
5 which these costs will be incurred, each local agency or  
6 school district to which the mandate is applicable shall  
7 submit to the Controller, within 120 days of the operative  
8 date of the mandate; or, if the commission is requested to  
9 do so pursuant to Section 17571, within 120 days after the  
10 commission reviews the claiming instructions for  
11 reimbursement issued by the Controller, whichever is  
12 later, a claim for payment of its estimated costs required  
13 by the mandate for the current fiscal year. If the local  
14 agency or school district does not submit the claim within  
15 the 120/day period, it may submit its claim for  
16 reimbursement as specified in Section 17560. The  
17 Controller shall pay these claims from the funds  
18 appropriated therefor, provided that the Controller (A)  
19 may audit the records of any local agency or school  
20 district to verify the actual amount of the mandated costs;  
21 and (B) may reduce any claim which the Controller  
22 determines is excessive or unreasonable.

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

34 (3) When funds are appropriated to the Controller to  
35 reimburse costs mandated by the state, not otherwise  
36 funded, claims for initial year costs, and subsequent years  
37 for which costs have been incurred prior to the  
38 enactment of the claims bill, shall be filed within 120 days  
39 from the date of notification by the Controller of the  
40 enactment of the claims bill. These claims shall be based

1 upon parameters and guidelines issued by the  
2 commission and as approved by the Legislature. The  
3 Controller shall promptly notify the relevant local  
4 agencies or school districts subsequent to enactment of  
5 the claims bill of the right to file these claims.

6 (c) If any first-time claim for which payment is  
7 otherwise determined to be due is not paid within 120  
8 days of the applicable claim filing deadline specified in  
9 subdivision (d), reimbursement for the claim shall  
10 include interest equal to 20 percent of the amount  
11 otherwise determined to be due. If the claim is not paid  
12 within seven months of the applicable filing deadline or  
13 by the beginning of the next fiscal year, whichever occurs  
14 later, reimbursement for the claim shall also include  
15 additional interest equal to 10 percent of the amount  
16 otherwise determined to be due for each month that the  
17 claim remains unpaid.

18 **SEC. 6.**

19 **SEC. 3.** Section 17580 is added to the Government  
20 Code, to read:

21 17580. If the Legislative Counsel determines that any  
22 bill introduced or amended after January 1, 1989, will  
23 mandate a new program or higher level of service  
24 requiring reimbursement of local agencies or school  
25 districts pursuant to Section 6 of Article XIII B of the  
26 California Constitution, the bill shall contain a section  
27 specifying that the provisions of the bill imposing the  
28 mandate shall become operative on a date on or after the  
29 July 1 following the date on which the bill will take effect,  
30 unless the bill contains an appropriation for the  
31 reimbursement.

32 **SEC. 7.**

33 **SEC. 4.** Section 17610 of the Government Code is  
34 amended to read:

35 17610. (a) The costs arising from a statute containing  
36 a statement that the statute mandates a new program or  
37 higher level of service and specifying that  
38 reimbursement shall be made from the fund shall, upon  
39 certification of the estimated statewide cost by the  
40 commission to the Controller, be paid from the fund,

1 provided that the estimated statewide cost of the claim  
2 does not exceed one million dollars (\$1,000,000). The  
3 Controller shall receive, review, and pay claims from the  
4 fund as the claims are received. ~~No claim~~ *claims* for initial  
5 reimbursement shall be filed with the Controller ~~more~~  
6 ~~than~~ *within* 120 days after the close of the first full fiscal  
7 year following certification of the estimated statewide  
8 cost by the commission. *When paying a timely filed*  
9 *claim for initial reimbursement, the Controller may*  
10 *withhold up to 20 percent of the amount of the claim. Any*  
11 *claim for initial reimbursement filed after the filing*  
12 *deadline shall be subject to a 20 percent penalty and may*  
13 *be filed with any other claim pursuant to Section 17560.*  
14 *The Controller may withhold payment of any late claim*  
15 *for initial reimbursement until the next deadline for*  
16 *funded claims unless funds are available to pay the claim*  
17 *after all timely filed claims have been paid.*

18 (b) For purposes of this section, "estimated statewide  
19 cost" means the total amount of funds estimated to be  
20 necessary to reimburse all eligible local agencies and  
21 school districts for costs incurred as a result of the  
22 mandate during the first 12-month period following the  
23 operative date of the mandate.

24 (c) For purposes of this section, "costs arising from a  
25 statute" means the total amount of funds necessary to  
26 reimburse eligible local agencies and school districts for  
27 costs incurred as a result of complying with a mandate for  
28 the fiscal years specified in the parameters and guidelines  
29 in accordance with Section 17557.

30 ~~SEC. 8. The sum of / / / / dollars (\$ / / / / ), is~~  
31 ~~hereby appropriated from the General Fund to the~~  
32 ~~Controller for allocation to local agencies to reimburse~~  
33 ~~them for state/mandated costs incurred under Section~~  
34 ~~3410 of Title 8 of the California Administrative Code,~~  
35 ~~relating to the purchase of wildland firefighting~~  
36 ~~equipment, for fiscal years 1978/79 to 1987/88, inclusive.~~

37 ~~SEC. 9:~~

38 ~~SEC. 5. This act is an urgency statute necessary for~~  
39 ~~the immediate preservation of the public peace, health,~~  
40 ~~or safety within the meaning of Article IV of the~~

- 1 Constitution and shall go into immediate effect. The facts
- 2 constituting the necessity are:
- 3 In order to reimburse local agencies as soon as possible
- 4 for state-mandated costs which they have already
- 5 incurred, it is necessary for this act to take effect
- 6 immediately.

O