

MANDATES

The California Constitution requires the state to reimburse local governments when the state requires them to perform new duties or provide a higher level of service. The Commission on State Mandates determines whether or not local governments are entitled to reimbursement for increased costs mandated by the state. The objective of the Commission is to fairly and impartially hear and determine through a public hearing process whether the state imposed a reimbursable mandate. The Commission determines the activities necessary to comply with a new mandate, adopts a cost estimate, and notifies the Legislature of its findings.

The Commission, created as a quasi-judicial body, consists of seven members. Four of the members are ex-officio: the Director of Finance, the State Controller, the State Treasurer, and the Director of the Office of Planning and Research. The remaining three members, appointed by the Governor with Senate approval, include a public member with experience in public finance and two additional members from the categories of city council member, county supervisor, or school district governing board member.

The proposed budget was constructed first by computing the workload budget funding level. From the workload

WORKLOAD BUDGET

- A workload budget reflects what a given program will cost next year under existing law and policy.
- Government Code Section 13308.05 defines the workload budget as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.

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budget, adjustments are made to reflect specific policy adjustments and reductions, including budget-balancing reductions. With these adjustments, the Governor's Budget provides \$193 million and 13 positions to determine and fund reimbursable state mandates. Figure MAN-01 illustrates the major changes proposed in the Governor's Budget for mandates reimbursement funding as well as funding for the Commission on State Mandates.

Figure MAN-01
Change Table

Mandates - Changes by Broad Categories

| | 2007-08 | | | 2008-09 | | |
|---|-----------------|-----------------|-------------|------------------|-----------------|-------------|
| | General Fund | Other Funds | Positions | General Fund | Other Funds | Positions |
| 2007 Budget Act | \$94,715 | \$11,499 | 14.0 | \$94,715 | \$11,499 | 14.0 |
| Workload Adjustments | | | | | | |
| Employee Compensation/Retirement | 22 | - | - | 23 | - | - |
| One-Time Cost Reductions | -57 | - | - | - | - | - |
| Other Workload Adjustments | -7 | - | -1.0 | 173,001 | -9,639 | -1.0 |
| Totals, Workload Adjustments | -\$42 | \$0 | -1.0 | \$173,024 | -\$9,639 | -1.0 |
| Policy Adjustments | | | | | | |
| Other Policy Adjustments | - | - | - | -75,000 | - | - |
| Totals, Policy Adjustments | \$0 | \$0 | - | -\$75,000 | \$0 | - |
| Total Adjustments | -\$42 | \$0 | -1.0 | \$98,024 | -\$9,639 | -1.0 |
| Budget Prior to Reductions | \$94,673 | \$11,499 | 13.0 | \$192,739 | \$1,860 | 13.0 |
| Budget Balancing Reductions^{1/} | \$0 | \$0 | - | -\$168 | \$0 | -1.0 |
| Governor's Budget | \$94,673 | \$11,499 | 13.0 | \$192,571 | \$1,860 | 12.0 |

1/These dollars and PYS are included in the General Government agency; therefore, not included in each agency's totals the applicable Summary Schedules.

*Dollars in Thousands, and are also included in the chapters for Health and Human Services and General Government.

PROPOSED BUDGET BALANCING REDUCTIONS

The Budget includes a General Fund reduction of \$168,000 from program support and administrative functions. The reductions would result in fewer staff and slow down the analysis of test claims, litigation of cases, and other tasks before the Commission.

Mandate reimbursements were exempted from the budget balancing reductions because funding them at less than the full funding level would result in suspension of the mandate.

OTHER SPECIAL SESSION ISSUES

The Governor's Budget includes a one-time savings of \$75 million by eliminating payments for estimated reimbursement claims. This change to local government reimbursement does not reduce the total reimbursement amounts payable to local governments, as the state is required to pay the actual reimbursement claims when they are submitted.

FUNDED MANDATES

Proposition 1A, approved by the voters in November 2004, amended the California Constitution to require the Legislature to either (1) fund in the Budget Act the amounts determined to be payable in the previous year for each mandate (with certain exceptions) or (2) to suspend that mandate. This suspension requirement does not apply to education or employee rights mandates.

The 2007 Budget Act reappropriated \$41 million for reimbursement claims. The 2008 Governor's Budget includes \$139 million for reimbursement claims for costs incurred prior to July 1, 2007, for mandates listed in Figure MAN-02. Of this amount, \$75 million is proposed for the third payment of reimbursement claims for costs incurred prior to July 1, 2004.

The Governor's Budget proposes to continue the suspension of several mandates as scheduled in Items 8885-295-0001 and 8885-295-0042.

GENERAL FUND EXPENDITURES

- \$361.4 million in the 2006-07 fiscal year.
- \$41 million in the 2007-08 fiscal year.
- \$139 million in the 2008-09 fiscal year.

MANDATE REFORM

The 2007 Governor's Budget included a proposal for mandates reform. During the 2007 budget development, state and local governments worked together to modify the proposal and developed alternative processes to mandate determinations and

Figure MAN-02
2008-09 Funded Mandates

| | |
|--|---|
| AB 3632: Services to Handicapped Students I and II* | Medi-Cal Beneficiary Death Notices |
| AB 3632: Seriously Emotionally Disturbed Pupils* | Mentally Disordered Offenders' Extended Commitments Proceedings |
| Absentee Ballots | Mentally Disordered Sex Offenders' Recommitments |
| Absentee Ballots-Tabulation by Precinct | Mentally Retarded Defendants Representation |
| Administrative License Suspension, Per Se | Not Guilty by Reason of Insanity |
| AIDS/Search Warrant | Pacific Beach Safety |
| Allocation of Property Tax Revenues | Peace Officer Personnel Records: Unfounded Complaints and Discovery |
| Animal Adoption | Peace Officers' Procedural Bill of Rights |
| Brendon Maguire Act | Perinatal Services |
| Conservatorship: Developmentally Disabled Adults | Permanent Absent Voters |
| Coroners Costs | Pesticide Use Reports |
| Crime Victim Rights | Photographic Record of Evidence |
| Crime Victim's Domestic Violence Incident Reports | Police Officer's Cancer Presumption** |
| Custody of Minors-Child Abduction and Recovery | Postmortem Examinations |
| Developmentally Disabled Attorneys' Services | Rape Victim Counseling |
| Domestic Violence Arrests and Victims' Assistance | Senior Citizens Property Tax Deferral |
| Domestic Violence Treatment Services | Sexually Violent Predators |
| False Reports of Police Misconduct | Stolen Vehicle Notification |
| Firefighter's Cancer Presumption** | Threats Against Peace Officers |
| Health Benefits for Survivors of Peace Officers and Firefighters | Unitary Countywide Tax Rates |
| Judicial Proceedings | Voter Registration Procedures |

*AB 3632 Mandate funding is shown under the Department of Mental Health.

**These mandates expire June 30, 2008.

funding methodologies. The reform proposals are contained in Chapter 329, Statutes of 2007 (AB 1222). The reforms fall into three categories.

The first change revised the definition of a "reasonable reimbursement methodology (RRM)." The prior language included criteria that proved excessively difficult to meet. The new definition provides a variety of options for interested parties to propose funding methodologies that would make claiming for reimbursement and budgeting more predictable. The RRM's would no longer require evidence of actual costs for 50 percent of eligible claimants, but rather evidence that there is broad support among local governments.

MANDATE REFORM: CHAPTER 329, STATUTES OF 2007 (AB 1222)

- **Redefines a Reasonable Reimbursement Methodology** – removes the 50 percent threshold, and requires consideration of variations in costs among local agencies.
- **Joint Development of a Reasonable Reimbursement Methodology** – allows Finance and local agencies to develop a funding methodology and statewide estimate of costs for adoption by the Commission.
- **Joint Request for Legislatively Determined Mandate** – occurs outside of the Commission process, requires negotiations between local governments and Finance, and provides a local government the option to forgo the legislative determination and pursue the Commission process.

The second change details in statute a process for the Department of Finance (Finance) and local governments to negotiate a reimbursement methodology, demonstrate before the Commission that there is broad support for the proposal, and include a statewide cost estimate. This process would allow for more accurate cost estimates, and reduce the Commission's workload on the related mandate. Currently, statewide cost estimates are based on the actual claims submitted and generally do not represent the universe of potential claimants or audit exceptions.

The third and most flexible option of Chapter 329 establishes a process for obtaining a legislatively determined mandate. This process would allow Finance and local governments to jointly request that the Legislature declare a statute or executive order a state mandate, approve a funding methodology, and appropriate funding based on that funding methodology. Local governments who are not supportive of the legislatively determined mandate could reject the proposed reimbursement methodology, and the related funds, and file a test claim with the Commission. This process would be the most expeditious way to complete the mandate determination process because Finance and local governments have agreed on the scope of the mandate and the terms of the reimbursement prior to submitting a request to the Legislature.

Currently, the average mandate determination process takes three years and funding is often provided six to seven years after enactment of a reimbursable mandate. The alternative processes should reduce this time by several years, thereby expediting the process while maintaining the integrity of the reimbursement system.