

Item 12
Presentation and Discussion of Mandate Reform Proposals
Department of Finance Proposal
Legislative Analyst's Proposal
Public Comment

Executive Summary

Background

Since 2003, mandate reform has been a major budget and policy issue. The Legislative Analyst's Office (LAO) continues to report on problems with the mandates determination and reimbursement process, such as lack of payments for mandated programs, problems with the claiming system, providing the Legislature with better information, and the delays in the mandates determination process.

In 2003, the Assembly Speaker created the Assembly Special Committee on State Mandates, chaired by Assembly Member Laird, to review state-mandated programs for repeal, suspension, or modification, and to propose structural reforms to the mandate reimbursement process. After two years of work, the Governor signed five bills sponsored by the Committee to repeal or modify state-mandated programs and to provide reforms to the current process.

Also in 2003, the Bureau of State Audits (BSA) audited the *Animal Adoption and Peace Officer Procedural Bill of Rights (POBOR)* programs and issued a report indicating problems with both programs. The Commission sponsored AB 2224 and amended the parameters and guidelines to implement BSA's recommendations for the *Animal Adoption* program. BSA made no recommendations for Commission action on the POBOR program.

The Governor's 2005-2006 and 2006-2007 State Budgets provided the Commission with additional positions to address the test claim backlog and to assist the Commission in adopting reasonable reimbursement methodologies; provided the State Controller's Office with new positions to increase the number of audits on mandate reimbursement claims, and created a new Mandates Unit within Department of Finance.

Last year, the Commission sought to streamline and reform the existing process and contracted with the Center for Collaborative Policy (Center), at California State University, Sacramento, to scope out issues that should be addressed in reforms, opportunities for agreement on reforms, and the potential for using a collaborative process to develop recommendations for consideration by the Legislature and Governor.

The Center conducted an assessment of the issues and issued a report, finding that there was a clear willingness among potential stakeholders to consider mandate reform using a collaborative process. Upon receipt of the Center's Report, the Commission found that using a collaborative process to discuss mandate reform recommendations is feasible.

The Commission sought additional funding for the collaborative process during the May Revision. Although the Governor's May Revision included this augmentation, it was not approved by the Legislature.

2007 Mandate Reform Proposals

Department of Finance Proposal

The Governor's proposed 2007-2008 Budget includes revisions and an alternative to the existing mandates determination process, as drafted by Department of Finance.¹

Finance's proposal would:

- Allow the Department of Finance and local agency claimants (not school district claimants) to jointly determine the amount to be subvended for newly enacted statutes and executive orders. The jointly determined proposal would be submitted to the Legislature for approval. Local agencies that had previously filed test claims with the Commission on the same statutes or executive orders would be required to withdraw the test claim.
- Repeal Government Code section 17518.5 that allows the adoption of reasonable reimbursement methodologies.

Legislative Analyst Proposal

The Legislative Analyst's Office (LAO) is proposing similar amendments and alternatives to the existing mandates process. Attached is the LAO's presentation to the Commission.² The LAO proposal would:

- Amend the existing reasonable reimbursement methodology statute so that claimants must meet only one of the two conditions currently required to adopt a methodology.
- Modify the existing mandate process to allow reimbursement methodologies and estimates of statewide costs to be developed through negotiations with the Department of Finance and local governments. Once a methodology is agreed upon, the Commission would review the parties' proposed parameters and guidelines to ensure the proposal considers costs from a sample of local governments and for general consistency with the Statement of Decision.
- Create an alternative dispute resolution process where the Department of Finance may negotiate a reimbursement methodology for the new law, without first obtaining a Commission determination. Once the parties agree on a reimbursement methodology, that proposal is submitted directly to the Legislature for funding.

¹ Exhibit A.

² Exhibit B.

Presentation to the Commission and Discussion

The Executive Director invited staff with the Department of Finance and the LAO to present their proposals. The public will be invited to comment following the presentations.