

ITEM 21
Update on Pending Mandate Reform Legislation
(AB 1222 and AB 1170)

EXECUTIVE SUMMARY

AB 1222

This year, the Department of Finance and the Legislative Analyst's Office each proposed alternate fast-track processes for determining and funding mandates for those state mandates that lend themselves to reimbursement on a per-unit basis, and cases where all parties, including the Legislature, agree that a statute or executive order is a state mandate.

At the April 16, 2007 Commission hearing, upon staff recommendation, the Commission voted to:

1. Support in Concept a combination of mandate reform provisions proposed by both the Legislative Analyst's Office (LAO) and the Department of Finance, and technical amendments drafted by staff that would ensure that the proposed alternate procedures can coexist with the existing mandates determination process.
2. Request Assembly Member Laird to carry the combined proposal.
3. Authorize Commission staff to attend any working group meetings conducted to refine the proposed language.

Members Lujano and Glaab volunteered to be members of the Commission's Legislative Subcommittee to work with staff in reviewing proposals between commission meetings.

Assembly Member Laird amended AB 1222 on May 2, 2007 to include the combined proposal.

Department of Finance convened a working group comprised of staff from the Commission, Finance, Assembly Member Laird's Office, the Legislative Analyst's Office, the State Controller, Senate Local Government Committee; and local representatives from CSAC, the League of California Cities, Special Districts Association of California, and the Education Coalition to draft language to refine the proposal. Commission Member Lujano attended some of these meetings. After each working group meeting, the drafting committee developed proposed amendments to address concerns raised in working group discussions. The proposed amendments were circulated to the full working group prior to being submitted to Legislative Counsel.

AB 1222, as amended on July 3, 2007, added Assembly Member Silva as an author and includes the mandate reform proposals originated by the Department of Finance, Legislative Analyst's Office, and the Commission. It was also amended on August 4 and September 4, 2007.

There are three components to AB 1222:

- Amends the definition of "reasonable reimbursement methodology" (RRM) by eliminating conditions that have made it impossible for any party to propose an RRM and the Commission from adopting parameters and guidelines with an RRM.
- Authorizes the successful test claimant to negotiate an RRM with the Department of Finance for submittal to the Commission instead of proposed parameters and guidelines. This simplified approach to reimbursement would eliminate detailed parameters and guidelines, claimant documentation of actual costs, and define the criteria for Commission adoption.
- Codifies a procedure for the Department of Finance and a local agency, school district, or statewide association of local agencies or school districts to request a legislatively determined mandate, a reimbursement methodology, and appropriation.

All parties agreed that these three components will provide local agencies, school districts, and the state with the ability to expedite the mandate reimbursement process and to implement Proposition 1A.

The Governor's Office approved the Commission's position of **Support in Concept** on May 8, 2007; and approved our requested position of **Support** for AB 1222 on July 11, 2007.

AB 1222 passed Assembly Local Government Committee (7-0) on May 9, 2007; passed Assembly Appropriations Committee (16-0) on May 23, 2007; passed the Assembly (77-0) on May 24, 2007; passed Senate Local Government Committee (5-0) on July 11, 2007; passed Senate Appropriations Committee (11-0) on August 27, 2007, passed the Senate (39-0) on September 7, 2007 and passed concurrence in the Assembly (77-0) on September 11, 2007; pending before the Governor.

See Exhibit A for Assembly Floor Analysis of AB 1222, and Exhibit B for the final legislation.

Implementation

If AB 1222 is signed by the Governor, Commission staff will --

1. Establish an advisory working group to assist staff in developing its work plan to implement AB 1222. The working group should consist of representatives of the Department of Finance, State Controller's Office, CSAC SB 90 Group, League of California Cities, School Districts and Community Colleges, Education Coalition, and the Legislature. (October 2007)
2. Meet with advisory working group to develop regulatory package to implement AB 1222 and to develop and organize workshops and training sessions. (November–December 2007)
3. Conduct training for Commission staff. (Ongoing)
4. Submit proposed regulatory package to the Commission on November 22, 2007 so the Commission may consider adoption of Order to initiate regulatory process at the December 6, 2007 hearing.
5. Publish Notice of Rulemaking. (December 2007)
6. Update statutes in CSM Reference Binders. (December 2007)
7. Conduct workshops and training to brief local agencies, school districts, legislative staff, state agencies, and Commission members on implementation of AB 1222. (January 30-31, 2008)
8. Hold public hearing for comment on proposed regulations. (January 30, 2008)
9. Develop and issue final proposed regulations. (March 13, 2008)
10. Schedule final proposed regulations for adoption. (March 27, 2008)

AB 1170

AB 1170 (Krekorian) would require the Commission to complete new test claims filed between January 1, 2009 and January 1, 2013 within three years. The bill was held on the Senate Appropriations Committee Suspense File and made a two-year bill.

See Exhibit C for the latest version of the bill.