

ITEM 12
Updates and Positions on Pending Mandate Reform Legislation
(AB 1222)

EXECUTIVE SUMMARY

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, adds Assembly Member Silva as co-author and includes the mandate reform proposals originated by the Department of Finance, Legislative Analyst's Office, and the Commission.

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. Technical amendments are made to ensure that claiming instructions based on the RRM are issued by the State Controller.

- Codifies a procedure for the Department of Finance and a local agency, school district, or statewide association of local governments to request a legislatively determined mandate, reimbursement methodology, and appropriation for state mandated programs.

All parties agree that these three components will provide local governments and the state with the ability to expedite the mandate reimbursement process and to implement Proposition 1A. The subjects to be addressed in the final amendments are the procedural and substantive details of a legislatively determined mandate, defining how the existing statute of limitations will be affected, and clarifying the rights of local agencies and school districts to file test claims when there is a legislatively determined mandate.

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; pending in Senate Appropriations Committee, no hearing date set.

A drafting subcommittee of the working group is currently developing the final technical amendments to clarify the rights of local agencies and school districts to file test claims after a legislatively determined mandate has been enacted, and the role of statewide associations of local governments in requesting a legislatively determined mandate.

We expect to finalize the final amendments before AB 1222 is set for hearing in Senate Appropriations Committee.

Attached is AB 1222, as last amended on July 3, and the Senate Local Government Committee Analysis.