

ITEM 14
EXECUTIVE DIRECTOR'S REPORT
Commission Workload, Budget, Legislation, and Next Meeting/Hearing

I. WORKLOAD: Pending Caseload

Type of Action	May 12, 2006	April 14, 2006	May 13, 2005
Test Claims to be Heard and Determined	104	103	104
Test Claims to be Reconsidered	0	0	0
Test Claims to be Reconsidered Based on Court Action	0	0	3
Test Claims to be Reconsidered, as Directed by the Legislature	1	2	7
Incorrect Reduction Claims to be Heard and Determined	108	107	83
Proposed Parameters and Guidelines, and Amendments	30	31	32
Parameters and Guidelines to be Amended or Set Aside, as Directed by the Legislature or Court Action	1	2	4
Statewide Cost Estimates to be Adopted	7	6	2
New Test Claim Filings to be Reviewed	0	0	0
New Incorrect Reduction Claim Filings to be Reviewed	0	0	Not Available
Appeals of Executive Director's Decision	0	0	0
Regulatory Actions Pending	1	0	2

II. COMMISSION'S BUDGET AND MANDATE REIMBURSEMENTS

A. Commission's Budget

1. The Senate Subcommittee hearing is set for Wednesday, May 17, 2006. The Assembly Subcommittee hearing is still pending due to the May Revision.
2. May Revision. The Governor proposes augmentation of the Commission's budget by \$270,000 for costs to facilitate discussions with state and local officials to reform the state mandate reimbursement process.

B. Mandate Reimbursements: Excerpts from the May Revision (www.ebudget.ca.gov)

1. Paying Down Debt

- a. Repayment of Reimbursements to Local Government (not including school districts) - \$98 million. Proposition 1A and current law specify that the payable claims for mandated costs incurred prior to the 2004-05 fiscal year that have not been paid prior to the 2005-06 fiscal year may be paid over a period of not more than 15 years beginning with the 2006-07 fiscal year. The \$98 million is adjusted to \$83 million at May Revision. (See page 22 of the May Revision.)
- b. Pre-payment of the second year of Reimbursements to Local Governments (not including school districts) totaling \$87 million – This will increase payments for mandates to \$170 million.

2. K Thru 12 Education

The Governor's Budget included \$133.6 million to fund the ongoing cost of K-12 and Community College state-mandated programs. The May Revision includes an additional \$30 million from the Proposition 98 Reversion Account for these costs. "This should be sufficient to fund these mandates until more audits have been performed and reliable data is obtained on the true costs of the mandates." (See Page 40 of the May Revision.)

The Governor's Budget also included \$18.7 million from the Proposition 98 Reversion Account and \$150 million in settle-up payments to fund prior year mandate claims. The May Revision adds over \$650 million one-time Proposition 98 General Fund to fund over half of the outstanding audited claims.

3. General Government (Commission on State Mandates)

Includes an increase of \$4.1 million General Fund and redirection of funds proposed for mandates in the Governor's Budget to:

- a. Provide \$90.3 million for payment of 2005-06 estimated claims for specified mandates.
- b. Provide \$5.7 million for newly determined mandates based on updated information.
- c. Identify based on the requirements of Proposition 1A, those mandates to be implemented in 2006-07 and funded in 2007-08.

For repayment of past mandate debt, includes a net increase of \$71.8 million to reflect a reduction of \$15.1 million to the first year of the 15 year repayment of past mandate debt based on updated information and an increase of \$86.9 million to pay the 2007-08 mandate debt in advance of the required timeline.

4. Health and Human Services (Department of Mental Health)

Transfers \$50 million General Fund to the Department of Mental Health to provide mental health services to special education pupils in the 2006-07 fiscal year. Also, “proposes to restructure the AB 3632 mental health services program to improve fiscal and programmatic accountability and introduce greater efficiency while ensuring that mental health services to special education pupils continue.” (See page 71 of the May Revision.)

III. LEGISLATION

Note: The bills described below may be reviewed at leginfo.ca.gov or from the links to “Other Bills” on the Commission’s website: csm.ca.gov.

- A. AB 2652 (Laird) is our sponsored bill to reform the incorrect reduction claim (IRC) process. The bill would:
- Authorize one claimant to file an IRC that would result in consolidated IRCs on the same program if certain criteria are met.
 - Authorize the Commission to consolidate IRCs already on file with the Commission on the same program based on the same criteria as claimant initiated consolidations.

Status: Passed Assembly Local Government Committee and Assembly Appropriations Committee on Consent Calendars; pending on the Assembly Floor.

- B. AB 2176 (Niello) was amended on May 3, 2006.
- Existing law sets out several occurrences where the Commission is prohibited from finding costs mandated by the state, including when a local agency or school district has the authority to levy service charges, fees, or assessments to pay for the mandated program or increased level of service.

AB 2176 would clarify that the Commission could find costs mandated by the state if the services charges, fees or assessments are not sufficient to cover the cost of the mandated program.

The bill would also revise the process for bills that state they do not impose a reimbursable state mandate because the local agency or school district to which the bill applies has the authority to levy services charges, fees, or assessments sufficient to pay for the new mandate or increased level of service. Specifically, the bill would require the Legislature to specify in the bill whom the charge, fee or assessment may be levied upon.

Status: Passed Assembly Local Government Committee; set for hearing in Assembly Appropriations Committee on May 17, 2006.

- C. AB 2846 (Daucher) was amended on May 10, 2006. The bill would change the process for reimbursing local educational agencies, as defined. Specifically, the bill would:
- Create a new term “local educational agency” to mean a “school district, county office of education or a charter school.”
 - Require the State Controller to offer local educational agencies with the option of receiving 80 percent of the total amount claimed as full satisfaction for claims filed and not paid prior to January 1, 2007 and

require local educational agencies to accept or reject the offer on or before March 31, 2007.

- Authorize the State Controller to object within 90 days of the local educational entity's decision and decide to audit the claim.
- Require the Department of Finance, the Legislative Analyst's Office, Department of Education, California Association of School Business Officials, and the California County Superintendents Educational Services Association to establish a working group to develop, to the extent feasible, unit rates for education services mandated by the state and implemented by local educational agencies as of January 1, 2007. The working group shall establish a process for determining unit rates, where appropriate.
- Authorize local educational agencies to settle reimbursement claims initially filed on or after January 1, 2007 by using a unit rate established by the working group instead of the Commission's allocation formula or uniform allowance.
- Prohibit the State Controller from auditing a reimbursement claim settled by using a unit rate established by the working group.

Status: Passed Assembly Local Government Committee; pending in Assembly Appropriations, no hearing date set.

IV. TENTATIVE HEARING AGENDA: JULY 27, 2006

A. July 27, 2006

Test Claims

1. *Permanent Absent Voter II*, 03-TC-11
County of Sacramento, Claimant
2. *Modified Primary Election*, 01-TC-13
County of Orange, Claimant
3. *Worker's Compensation Disability Benefits for Government Employees*,
00-TC-20, 02-TC-02, County of Los Angeles, Claimant
4. *Post Conviction: DNA Court Proceedings*, 00-TC-21; 01-TC-08
County of Los Angeles, Claimant

Proposed Parameters and Guidelines and Proposed Amendments

1. *Pupil Suspensions, Expulsions, and Expulsion Appeals*, 05-PGA-04 (CSM-4456, 4455, and 4463), San Diego Unified School District, Claimant—Additional costs resulting from litigation (1993-94 through 2005-2006) and Consolidated Claim beginning with Fiscal Year 2006-07.
2. *Handicapped and Disabled Students I and II, and Seriously Emotionally Disturbed (SED) Pupils: Out of State Mental Health Services: Proposed Consolidation of Parameters and Guidelines*, 04-RL-4282-10, 02-TC-40/02-TC-49, and 97-TC-05
3. *Missing Children Reports*, 01-TC-09
San Jose Unified School District, Claimant

Statewide Cost Estimates

1. *The Stull Act*, 98-TC-25
Denair Unified School District and Lassen County Office of Education,
Claimants
2. *Crime Victim's Domestic Violence Incident Reports*, 99-TC-08
County of Los Angeles, Claimant
3. *Integrated Waste Management*, 00-TC-07
Santa Monica and Lake Tahoe Community College Districts, Claimants