

ITEM 6
LEGISLATIVE UPDATE
2018 LEGISLATION

2018-19 Budget

On June 27, 2018, the Governor signed SB 840, the Budget Act of 2018 which included the following changes to state-mandated program funding:

Provides \$1.1 billion in one-time discretionary funding to schools in 2018-19, down from the 2 billion proposed in the May Revision. The funding, among other things, will be used to offset any applicable mandates claims owed to school districts, charter schools, and county offices of education.

A one-time payment of \$312.2 million General Fund to repay local agencies for costs incurred for 14 mandates that have been identified by the legislature as expired or repealed. The repayment amount represents the retirement of state obligations to local agencies for costs incurred between 2004 and 2011. The majority of the repayment is owed as a result of mandates associated with mental health services for seriously emotionally disturbed children.

The Commission's operating budget was approved as proposed for \$2,414,000 to include \$1,962,000 in Personal Services and \$452,000 in Operating Expenses and Equipment.

Commission staff continues to monitor legislation for bills that affect the mandates process.

SB 1498 – Local Government Omnibus Act of 2018

SB 1498 was introduced by the Senate Governance and Finance Committee on March 1, 2018. This is an omnibus bill which, among other things, proposes amending Government Code section 17551 to specify that for purposes of filing a test claim based on the date of first incurring increased costs, "within 12 months" means by June 30 of the fiscal year following the fiscal year in which increased costs were first incurred by the test claimant.

Under existing law, a local agency or school district is required to file a test claim not later than 12 months following the effective date of a statute or executive order, or within 12 months of incurring increased costs as a result of a statute or executive order, whichever is later. In December 2017, the Commission approved an amendment to section 1183.1(c) of its regulations to specify that for purposes of filing a claim based on the date of first incurred costs, "12 months" means 365 days, rather than "June 30 of the fiscal year following the fiscal year in which increased costs were first incurred by the test claimant".

If adopted, this provision would invalidate the Commission's amendment to section 1183.1(c) of the Commission's regulations and allow test claimant's to always choose the later deadline (based on first incurring costs) since reimbursable costs can never be incurred *before* the effective date of a statute or executive order. For example, if the effective date of a given statute is July 1, 2017, then

the period of limitation for filing the test claim based on the effective date would be July 1, 2018.¹ But if a test claimant alleges that it began first incurring costs on July 2, 2017 (one day after the effective date of the statute, and in fiscal year 2017-2018), the claimant could avail itself of the language in the proposed bill allowing a test claim filing by “June 30 of the fiscal year following the fiscal year in which costs are first incurred,” and extend the period of limitation to June 30 of the following fiscal year (2018-2019), or to June 30, 2019; *one day short of two years after the statute became effective*. Therefore, this proposed amendment essentially extends the statute of limitation by up to 364 days, but only for those claimants who choose to file test claims based on first incurring costs.

On May 10, 2018, the bill passed to the Assembly. On May 25, 2018, the bill was referred to the Assembly Committee on Local Government. On June 19, 2018, the bill was amended and re-referred to the Assembly Committee on Local Government. The amendments did not pertain to the mandates program area. On June 28, 2018, the bill passed to the Assembly Committee on Appropriations. Staff will continue to monitor this bill.

¹ If the test claim was approved, the period of reimbursement under Government Code section 17557, using a July 1, 2018 filing date would be July 1, 2017, the effective date of the statute.