

ITEM 24
EXECUTIVE DIRECTOR'S REPORT
Workload, Adopted 2005-06 Budget,
Reports to the Legislature, Legislation, and Next Hearing

I. WORKLOAD

Pending Caseload

Type of Action	July 14, 2005	May 13, 2005	July 9, 2004
Test Claims to be Heard and Determined	104	104	117
Test Claims to be Reconsidered	0	0	0
Test Claims to be Reconsidered Based on Court Action	1	3	2
Test Claims to be Reconsidered, as Directed by the Legislature	6	7	0
Incorrect Reduction Claims to be Heard and Determined	86	83	79
Proposed Parameters and Guidelines, and Amendments	32	32	29
Parameters and Guidelines to be Amended or Set Aside, as Directed by the Legislature	3	4	0
Statewide Cost Estimates to be Adopted	3	2	14
New Test Claim Filings to be Reviewed	0	0	0
Appeals of Executive Director's Decision	0	0	1
Regulatory Actions Pending	2	2	0

II. 2005-2006 ADOPTED BUDGET

A. Commission Budget

The 2005-2006 adopted Budget augments the Commission on State Mandates' budget by \$427,000 to reduce the test claim backlog. It includes three limited-term positions and one permanent position. Commission staff are developing work plans to hire new staff.

B. Mandate Reimbursements

1. Local Agencies

The Budget includes \$239.4 million General Fund for non-Proposition 98 reimbursable state-mandated local programs. Proposition 1A, passed by the voters in November 2004, requires funding 2004-05 mandate costs. This funding is for mandate costs occurring in 2004-05 and 2005-06. The Budget suspended 31 local agency programs and deferred one program (Peace Officers Procedural Bill of Rights).

2. School Districts

The Budget provides \$60.6 million (\$53.8 million from the Proposition 98 Reversion Account and \$6.8 million in Proposition 98 Settle-up funds) to pay prior year K-12 education mandate claims. These one-time funds are intended to pay for the oldest claims first. The Budget suspended six programs and deferred funding for 40 programs.

C. Controller's Office

The Controller's Office will be adding 9 new auditors to audit mandate reimbursement claims. In addition, the Controller's budget includes the following provisions:

1. The Commission on State Mandates shall provide, in applicable parameters and guidelines, as follows:
 - (a) If a local agency or school district contracts with an independent contractor for the preparation and submission of reimbursement claims, the costs reimbursable by the state for that purpose shall not exceed the lesser of (1) 10 percent of the amount of the claims prepared and submitted by the independent contractor; or (2) the actual costs that would necessarily have been incurred for that purpose if performed by employees of the local agency or school district.
 - (b) The maximum amount of reimbursement provided in subdivision (a) may be exceeded only if the local agency or school district establishes, by appropriate documentation, that the preparation and submission of these claims could not have been accomplished without incurring the additional costs claimed by the local agency or school district.
2. The Controller shall provide to the Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the chairpersons of the fiscal committees of each house of the Legislature a report that provides the following details by mandate: the level of claims requested; the amount reduced by the initial desk audit; the amount paid; and the results of a final audit and subsequent funding adjustments. The report is due on April 15, 2006, and will cover the first three quarters of the 2005-06 fiscal year.

III. BUDGET TRAILER BILL

Assembly Bill 138 (AB 138) (Exhibit A)

AB 138 is a budget trailer bill on mandates and is pending approval on the Governor's desk. This urgency bill enacts budget trailer legislation necessary to implement the 2005-06-budget agreement for state-mandated local programs (excluding education mandates). AB 138 amends Government Code section 17556, lengthens the payment period for deferred mandates costs from five to 15 years, and requires the Commission to reconsider whether its previous decisions in *Peace Officers Procedural Bill of Rights* and the *Mandate Reimbursement Process* constitute reimbursable state-mandated

programs. This bill also repeals, modifies, or recasts *Presidential Primaries, Redevelopment Agencies, Handicapped Voter Access, Open Meetings Act, and Brown Act Reform* state-mandated programs. And, it requires the Commission to set aside its prior decisions and parameters and guidelines on the *Open Meetings Act* and *Brown Act Reform* test claims, and requires the Commission and State Controller to amend or revise mandate parameters and guidelines and claiming instructions as necessary to be consistent with the provisions of this measure. See Exhibit A for floor analysis and bill.

IV. REPORTS TO THE LEGISLATURE

A. Mandate Appropriation Deficiencies

Since the Legislature did not appropriate funds for the overall mandate deficiency reported to the Department of Finance by the State Controller's Office, the Commission is required to report this information to the Legislature to ensure inclusion in the next claims bill. This report will be made after the July hearing.

B. Statements of Decision

After this hearing, the Commission will report adopted statements of decision to the Legislature as required by AB 2856.

V. MANDATE REFORM

A. Department of Finance Evaluation

The Budget also requires the Department of Finance to evaluate the current mandates reimbursement process, provide alternatives, and suggest improvements to the process to the chairperson of the fiscal committees of each house of the Legislature and to the Chairperson of the Joint Legislative Budget Committee not later than March 1, 2006.

B. *Reassessing the State Mandates Problem in California*, a thesis by Cathy Cruz, Commission Staff

Program Analyst Cathy Cruz received her Master's degree in Public Policy and Administration in May 2005. Ms. Cruz will give an overview of her thesis: *Reassessing the State Mandates Problem in California*. (Exhibit B).

VI. LEGISLATION

A. Commission-Sponsored Legislation

AB 1467 (Laird) would require mandates listed in the State Budget to also be identified by Commission test claim number. This bill may be used to implement technical changes to the mandates trailer bills. Status: Pending on the Senate Floor.

B. Other Mandate Bills

Assembly

ACA 1X 4 (Keene) would place on the ballot a constitutional amendment to implement the Governor's budget process proposals. This proposal includes two amendments to article XIII B, section 6 which would: (1) clarify that a reduction in appropriation for a mandated program shall not be deemed to reduce the overall amount to which local governments are entitled; and (2) require state reimbursement to local agencies for prior year claims within 15 years instead of 5 years. Status: Assembly Committee on Budget Process.

Senate

SCA1X 2 (McClintock) would place on the ballot a constitutional amendment to repeal article XIII B, and instead provide that no local government be required to provide any new program or higher level of service unless and until it has received a subvention of funds to reimburse them for the costs of the program or increased level of service. Status: Senate Budget and Fiscal Review Committee.

C. Other Bills

AB 1625 (Klehs) would require every written report submitted to the Legislature by any state agency, department, board, or commission include a signed statement by the head of that agency or chair of the board or commission declaring, subject to a misdemeanor penalty, that the contents of the report are accurate to the best of his or her knowledge. This bill only applies to those individuals appointed by the Governor and confirmed by the Senate. For those boards and commissions chaired by a Governor's appointee that is confirmed by the Senate, the executive director of the board or commission shall make the declaration. Status: Set for hearing in Senate Appropriations on August 15, 2005.

VII. NEXT HEARING AGENDA

September 29, 2005

The tentative agenda is subject to change based on requests for extensions of time to file comments on draft staff analyses, hearing postponements, pre-hearing conferences, Commission staff's legislative and litigation workload.

A. Reconsideration Directed by the Legislature

1. *Sex Offenders: Disclosure (Megan's Law)*, 04-RL-9715-06

B. Reconsideration Directed by the Courts

1. *Standardized Emergency Management Systems (SEMS)*, CSM-4506

C. Test Claim

1. *Agency Fee Arrangements*, 00-TC-17, Clovis Unified School District, Claimant

D. Proposed Parameters and Guidelines

1. *Crime Victims' Domestic Violence Incident Reports*, 99-TC-08, County of Los Angeles, Claimant
2. *Peace Officer Personnel Records and Unfounded Complaints Against Peace Officers; Discovery of Peace Officer Personnel Records*; 00-TC-24, 00-TC-25, 02-TC-07, 02-TC-08, Cities of Hayward and San Mateo, Claimants
3. *Enrollment Fee Collection and Enrollment Fee Waivers*, 99-TC-13, 00-TC-15, Los Rios and Glendale Community College Districts, Claimants
4. *The Stull Act*, 98-TC-25, Denair Unified School District and Lassen County Office of Education, Claimants

E. Parameters and Guidelines Amendments Directed by the Legislature or Amendments to Test Claim Statutes

1. *Animal Adoption*, 98-TC-11

2. *Various Mandates* Required by AB 2853, AB 2855, and SB 1102 and 2005 Budget Trailer Bills:

- County Treasury Oversight Committees, 04-PGA-17 (96-365-03)
- Investment Reports, 04-PGA-18 (96-358-02)
- Two-Way Traffic Signal Communications, 04-PGA-19 (CSM-4504)
- Involuntary Lien Notices, 04-PGA-15 (CSM-3891)
- Property Tax: Family Transfers, 04-PGA-16 (CSM-4320)
- Misdemeanors: Booking and Fingerprinting, 04-PGA-20 (CSM-4436)
- Pupil Exclusions, 04-PGA-28 (CSM-4457/4477)
- Senior Citizen Mobilehome Property Tax Postponement, 04-PGA-31 (SB 90-1623)
- Lis Pendens, 04-PGA-32 (SB 90-4018)
- Comprehensive School Safety Plans and Emergency Procedures, 04-PGA-24 (CSM 4241, 98-TC-01, 99-TC-10)

F. Proposed Regulatory Action

Adoption of Proposed Amendments on Appeal of Executive Director Decisions

VIII. PROPOSED 2006 MEETING/HEARING CALENDAR (action)

Staff proposes the following nine dates for Commission meetings and hearings in 2006. In addition to required bi-monthly meetings, three tentative hearing dates are also proposed to accommodate additional agenda items, if needed, once two new staff counsel positions are filled.

January 26

March 30

April 27 (tentative)

May 25

July 27

August 31 (tentative)

September 28

October 26 (tentative)

December 7 or 14

Recommendation

Staff recommends approval of the 2006 Meetings/Hearings Calendar.