April 30, 2020

The Honorable Holly J. Mitchell, Chairwoman

Senate Committee on Budget and Fiscal Review

Joint Legislative Budget Committee

State Capitol, Room 5050

Sacramento, CA 95814

The Honorable Philip Y. Ting, Chairman

Assembly Committee on Budget

State Capitol, Room 6026

Sacramento, CA 95814

Keely Bosler, Director

Department of Finance

State Capitol, Room 1145

Sacramento, CA 95814

**SUBJECT: State-Mandated Program Cost Report of Unpaid Claims and Deficiencies**

Dear Chairwoman Mitchell, Chairman Ting, and Ms. Bosler:

Pursuant to Government Code section 17562(b)(2), I am providing a report of insufficient appropriations for reimbursement of claims filed with the State Controller’s Office for state‑mandated programs. The funding deficiencies are the result of claims received after April 1, 2019, and claims that were not fully paid in prior years. The deficiencies also include unfunded mandates, which are initial claims filed for new mandated programs that have no prior appropriation, and estimated accrued interest.

The total amount owed to local agencies, school districts, and community college districts is

$1.72 billion ($0.75 billion, $0.94 billion, and $0.03 billion, respectively). This is a $0.28 billion decrease from the prior year’s deficiency of $2.00 billion.

The state’s liability of $1.72 billion includes the final reduction of $124.7 million in funding offsets applied to outstanding school district mandate claim balances pursuant to Chapters 29, 32, and 39, Statutes of 2018. This is reflected in the table on page 2.

| **Description** | **Local  Agencies** | **School Districts** | **Community College Districts** | **Grand  Totals** | **Schedules** |
| --- | --- | --- | --- | --- | --- |
| **Deficiency Summary: Total State-Mandated Program Payable Balances as of April 1, 2019 (from prior‑year report)** | **$795,618,783** | **$1,139,763,077** | **$111,050,614** | **$2,046,432,474** | Not applicable |
| State-Mandated Appropriations Beginning as of July 1, 2019 | $69,501,600 | $77,917 | $39,000 | $69,618,517 | **A** |
| Add: Receipts and Recovered Receivables | $4,005,277 | $0 | $0 | $4,005,277 | **A** |
| Less: Payments | $54,236,378 | $33,000 | $0 | $54,269,378 | **A, A1** |
| Less: Reappropriations | $0 | $0 | $13,000 | $13,000 | **A** |
| **State-Mandated Appropriations Balances as of April 1, 2020** | **$19,270,499** | **$44,917** | **$26,000** | **$19,341,416** | **A** |
| State-Mandated Program Payable Balances for Funded Mandates. (Claims received as of April 1, 2020) | $381,681,275 | $939,784,725 | $33,348,018 | $1,354,814,018 | **B, B1** |
| State-Mandated Program Payable Balances for Unfunded Mandates. (Claims received as of April 1, 2020) | $371,866,997 | $410,162 | $1,170 | $372,278,329 | **B, B2** |
| **Subtotal State-Mandated Program Payable Balances** | **$753,548,272** | **$940,194,887** | **$33,349,188** | **$1,727,092,347** | **B** |
| Add: Accrued Interest Payables (Estimated as of June 30, 2020) | $56,129,571 | $78,749,021 | $2,919,734 | $137,798,326 | Not applicable |
| **Grand Total State-Mandated Program Payable Balances as of April 1, 2020** | **$809,677,843** | **$1,018,943,908** | **$36,268,922** | **$1,864,890,673** | Not applicable |
| **Net Appropriation Deficiencies as of April 1, 2020** | **$790,407,344** | **$1,018,898,991** | **$36,242,922** | **$1,845,549,257** | Not applicable |

Insummary, the estimated $1,845,549,257 deficiency is the amount needed to fully satisfy all state-mandated program liabilities to date. However, the $19,341,416 appropriation balance (reflected on page 1 of the enclosed report) is from the Budget Acts of 2017 through 2019, and is the result of funds remaining after recovered receivables and fulfilled Budget Act provisions. As each Budget Act specifies the programs and fiscal years that may be paid, the $19,341,416 appropriation balance must be re-appropriated before it can be applied to the current outstanding balance of $1,864,890,673.

If you have any questions, please contact Debra Morton, Manager of the Local Reimbursements Section in our Local Government Programs and Services Division, at DMorton@sco.ca.gov or (916) 324-0256.

Sincerely,

*Original signed by*

Betty T. Yee

Enclosure

cc: Heather Halsey, Executive Director, Commission on State Mandates

Hans Hemann, Principal Consultant, Joint Legislative Budget Committee

Lourdes Morales, Principal Fiscal and Policy Analyst, Legislative Analyst’s Office

Jacqueline Wong-Hernandez, Deputy Controller, State Controller’s Office

Richard J. Chivaro, Chief Counsel, State Controller’s Office