October 29, 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

**SUBJECT: State-Mandated Program Cost Report (AB 3000)**

Dear Chairwoman Mitchell and Chairman Ting:

Pursuant to Government Code (GC) section 17562(b)(1), this report summarizes mandated payments by fiscal year (FY) and consists of:

* State-Mandated Program Appropriations, Receipts, and Payments (Schedules A and A1);
* FY 2018-19 and Prior Years’ State-Mandated Program Claims Data, including Net Deficiencies and Surpluses (Schedules B, B1, and B2); and
* Outstanding Incorrect Reduction Claims Filed with the Commission on State Mandates (Schedule C).

The following table and Schedule B of the report detail the remaining state-mandated liabilities and the table below includes estimated accrued interest (net of $66.5 million in accounts receivables) owed to local agencies, school districts (SDs), and community college districts (CCDs) as of August 31, 2020:

| **Category** | **State**  **Liabilities** | **Estimated**  **Accrued Interest** | **Total**  **State Liabilities** |
| --- | --- | --- | --- |
| Local Agencies | $708,678,333 | $56,446,824 | $765,125,157 |
| School Districts | $886,958,670 | $79,288,968 | $966,247,638 |
| Community College Districts | $1,920,987 | $1,630,941 | $3,551,928 |
| **Total** | **$1,597,557,990** | **$137,366,733** | **$1,734,924,723** |

Accrued interest due local agencies, SDs, and CCDs, at the Pooled Money Investment Account rates is estimated to be $137.4 million. Pursuant to GC section 17561.5, interest begins to accrue on the 366th day after adoption of the statewide cost estimate for the initial claims. Interest on subsequent claims begins to accrue on August 16 following the filing deadline. Interest on unpaid claims will continue to accrue until the claims are fully paid.

State-mandated liabilities realized a net decrease of $63.4 million from the prior year, mainly due to payments and adjustments. Accrued interest is not reflected in the table below or in the report.

Summary comparison of total state-mandated liabilities between the current and prior-year reports are as follows:

| **Category** | **2020 AB 3000 Report** | **2019 AB 3000 Report** | **Net**  **Difference** |
| --- | --- | --- | --- |
| Local Agencies | $708,678,333 | $701,621,863 | $7,056,470 |
| School Districts | $886,958,670 | $899,404,744 | $(12,446,074) |
| Community College Districts | $1,920,987 | $59,951,888 | $(58,030,901) |
| **Total** | **$1,597,557,990** | **$1,660,978,495** | **$(63,420,505)** |

Details of the increases and decreases in state-mandated liabilities from the prior year are as follows (in millions):

| **Reason for Increase/(Decrease)** | **Local**  **Agencies** | **School**  **Districts** | **Community**  **College Districts** | **Total** |
| --- | --- | --- | --- | --- |
| Payments | $(44.1) | $01 | $02 | $(44.1) |
| New Claims and Adjustments | $51.1 | $(12.4) | $(58.0) | $(19.3) |
| **Net Increase/(Decrease)** | **$7.0** | **$(12.4)** | **$(58.0)** | **$(63.4)** |

School districts received $31,000 in payments.

2 Community college districts were ineligible to file mandate claims due to 100% participation in block grant funding, and as a result received no payments.

Pending litigation on the following topics may have a significant impact on accounts payable when final legal decisions are rendered:

* Discharge of Stormwater Runoff
* Lead Sampling in Schools: Public Water System
* Minimum Conditions for State Aid
* Municipal Stormwater and Urban Runoff Discharges

Incorrect Reduction Claims totaling $2.9 million are pending a decision from the Commission on State Mandates (Schedule C), which may also affect accounts payable.

An electronic version of the State-Mandated Program Cost Report is enclosed on the compact disc.

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: Keely Bosler, Director, Department of Finance

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 Chivaro, Chief Counsel, State Controller’s Office

Lisa Kurokawa, Chief, Compliance Audits Bureau, State Controller’s Office