

Mandated Service Reimbursement & Reform

Background

The California Constitution requires the state to pay local agencies for the cost of mandated programs and services. The requirement dates from the time of Proposition 13, which not only gave the state the power to allocate local tax revenue, but also severely limited the ability of local agencies to raise new revenue to pay for new services.

Proposition 1A, passed by voters in 2004, required the state to pay all outstanding mandate costs each year or else suspend the mandate's requirements, halting the Legislature's practice of delaying payments indefinitely while still requiring local to provide the mandated services. Proposition 1A allowed those delayed payments to be paid over a term of years.

CSAC was successful in working with the Administration to secure the final repayment for pre-2004 mandate debt in the 2015-16 state budget. That debt, which at one time totaled more than \$1 billion, is now fully paid.

However, a further debt of just over \$1 billion remains, mostly for mandates performed after 2004. This debt is from mandates that have

been suspended or repealed since Proposition 1A. The state's position offers that the amount owed at the time of repeal or suspension is not payable until the mandate is reinstated.

Aside from this remaining debt, the current mandate reimbursement system is in many ways backwards. It necessarily leads to payment delays because mandated programs are not eligible for reimbursement until years after the mandate has been passed by the Legislature and signed into law. Counties or other local agency must provide a precise enumeration of actual costs before the state, through the Commission on State Mandates, will even consider whether the new law qualifies as a reimbursable mandate.

Making matters worse, some counties have found that the resources required to seek a determination exceeds the benefit of receiving the reimbursement itself. This is exacerbated by the tendency of the Commission, which is a quasi-judicial body comprised mostly of state finance officials, to interpret mandate law strictly.

Talking Points

- **Counties should be paid for mandated services** rendered in a timely manner.
- The state should **make a schedule for paying off the remaining mandate debt** over a term of years.
- CSAC welcomes discussions about **alternatives to the process for mandate determination** and reimbursement to increase fairness and avoid future backlogs, which create larger liabilities for the state in future years.

