April 28, 2023

The Honorable Nancy Skinner, Chair

Senate Committee on Budget and Fiscal Review

Joint Legislative Budget Committee

1020 N Street, Room 553

Sacramento, CA 95814

The Honorable Philip Y. Ting, Chair

Assembly Committee on Budget

1021 O Street, Suite 8230

Sacramento, CA 95814

Joe Stephenshaw, Director

Department of Finance

1021 O Street, Suite 3110

Sacramento, CA 95814

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

Dear Chair Skinner, Chair Ting, and Joe Stephenshaw:

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, 2022, 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 $1.78 billion ($0.93 billion, $0.84 billion, and $0.01 billion, respectively). This is a $0.09 billion decrease from the prior year’s deficiency of $1.87 billion.

| **Description** | **Local  Agencies** | **School Districts** | **Community College Districts** | **Grand  Totals** | **Schedules** |
| --- | --- | --- | --- | --- | --- |
| **Deficiency Summary: Total State-Mandated Program Payable Balances as of April 1, 2022 (From prior-year report)** | **$929,367,191** | **$925,632,733** | **$10,709,796** | **$1,865,709,720** | N/A |
| State-Mandated Appropriations: Beginning Appropriations[[1]](#footnote-1) | $73,560,174 | $89,000 | $39,000 | $73,688,174 | **A** |
| Add: Receipts and Recovered Receivables | $1,146,127 | $0 | $0 | $1,146,127 | **A** |
| Less: Payments/Budget Adjustments | $53,136,506 | $23,000 | $13,000 | $53,172,506 | **A, A1** |
| **State-Mandated Appropriation Balances as of April 1, 2023** | **$21,569,795** | **$66,000** | **$26,000** | **$21,661,795** | **A** |
| State-Mandated Program Payable Balances for Funded Mandates (Claims received as of April 1, 2023) | $445,889,900 | $838,566,060 | $10,709,796 | $1,295,165,756 | **B, B1** |
| State-Mandated Program Payable Balances for Unfunded Mandates (Claims received as of April 1, 2023) | $484,496,556 | $0 | $0 | $484,496,556 | **B, B2** |
| **Subtotal State-Mandated Program Payable Balances** | **$930,386,456** | **$838,566,060** | **$10,709,796** | **$1,779,662,312** | **B** |
| Add: Accrued Interest Payables (Estimated as of June 30, 2023) | $72,386,523 | $91,479,956 | $2,079,216 | $165,945,695 | N/A |
| **Grand Total State-Mandated Program Payable Balances as of April 1, 2023** | **$1,002,772,979** | **$930,046,016** | **$12,789,012** | **$1,945,608,007** | N/A |
| **Net Appropriation Deficiencies as of April 1, 2023** | **$981,203,184** | **$929,980,016** | **$12,763,012** | **$1,923,946,212** | N/A |

In summary, the estimated $1,923,946,212 deficiency is the amount needed to fully satisfy all state-mandated program liabilities to date. However, the $21,661,795 appropriation balance (reflected on page 1 of the enclosed report) is from the Budget Acts of 2020 through 2022, 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 $21,661,795 appropriation balance must be re-appropriated before it can be applied to the current outstanding balance of $1,945,608,007.

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

Sincerely,

*Original signed by*

MALIA M. COHEN

Enclosure

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

Hans Hemann, Consultant, Joint Legislative Budget Committee

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

Lynn Paquin, Deputy Controller, State Controller’s Office

1. Appropriations as of April 1, 2022, except Budget Act of 2022 appropriations are as of July 1, 2022. [↑](#footnote-ref-1)