October 31, 2024

The Honorable Scott Wiener, Chair

Senate Committee on Budget and Fiscal Review

Joint Legislative Budget Committee

1020 N Street, Room 553

Sacramento, CA 95814

The Honorable Jesse Gabriel, Chair

Assembly Committee on Budget

1021 O Street, Suite 8230

Sacramento, CA 95814

**SUBJECT: State-Mandated Program Cost Report of Payments and Appropriations**

**(AB 3000)**

Dear Chair Wiener and Chair Gabriel:

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 2022-23 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. The table below also includes estimated accrued interest (net of $73.3 million in accounts receivables) owed to local agencies, school districts (SDs), and community college districts (CCDs):

|  | **Local**  **Agencies** | **School**  **Districts** | **Community College Districts** | **Total** |
| --- | --- | --- | --- | --- |
| State Liabilities | $771,925,995 | $655,409,729 | ($2,081,622) | $1,425,254,102 |
| Estimated Accrued Interest | $111,399,553 | $113,821,804 | $3,059,921 | $228,281,278 |
| **Total State Liabilities** | **$883,325,548** | **$769,231,533** | **$978,299** | **$1,653,535,380** |

Accrued interest due local agencies, SDs, and CCDs, at the Pooled Money Investment Account rates is estimated to be $228.3 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 $117.8 million from the prior year, mainly due to payments and audit adjustments for SD’s Graduation Requirements Program. Accrued interest is not reflected in the table below or in the report.

Comparison of total state-mandated liabilities between the current and prior year report:

|  | **Local**  **Agencies** | **School**  **Districts** | **Community College Districts** | **Total** |
| --- | --- | --- | --- | --- |
| AB 3000 Report dated 10/31/2024 | $771,925,995 | $655,409,729 | ($2,081,622) | $1,425,254,102 |
| AB 3000 Report dated 10/31/2023 | $767,307,512 | $777,816,861 | ($2,081,622) | $1,543,042,751 |
| **Net Difference** | **$4,618,483** | **($122,407,132)** | **$0** | **($117,788,649)** |

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

| **Reason for Increase/(Decrease)** | **Local Agencies** | **School**  **Districts** | **Community College Districts** | **Total** |
| --- | --- | --- | --- | --- |
| New Claims and Adjustments | $101,497,973 | ($122,386,132) | $0 | ($20,888,159) |
| Annual Payments | ($96,879,490) | ($21,000) | $01 | ($96,900,490) |
| **Net Difference** | **$4,618,483** | **($122,407,132)** | **$0** | **($117,788,649)** |

An Incorrect Reduction Claim totaling $2.3 million is pending a decision from the Commission on State Mandates (Schedule C), which may affect accounts payable.

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

Sincerely,

*Original signed by*

Malia M. Cohen

Enclosure

Copy: Joe Stephenshaw, Director

Department of Finance

Heather Halsey, Executive Director

Commission on State Mandates

Erika Contreras, Secretary of the Senate

Office of the Secretary of the Senate

Sue Parker, Chief Clerk of the Assembly

Office of the Chief Clerk of the Assembly

Cara L. Jenkins, Legislative Counsel

Office of Legislative Counsel

Christian Griffith, Chief Consultant

Assembly Committee on Budget

Hans Hemann, Consultant

Joint Legislative Budget Committee

Paul Steenhausen, Principal Fiscal and Policy Analyst

Legislative Analyst’s Office

Ginni Bella Navarre, Deputy Legislative Analyst

Legislative Analyst’s Office

Cathy Leal, Acting Chief Operating Officer

State Controller’s Office

Deborah Gallegos, Deputy Controller for Investments and Financial Management

State Controller’s Office

Ryan Seeley, Chief Counsel

State Controller’s Office

Lisa Kurokawa, Chief, Compliance Audits Bureau

State Controller's Office