October 31, 2023

The Honorable Nancy Skinner, Chair

Senate Committee on Budget and Fiscal Review

Joint Legislative and 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

**SUBJECT: State-Mandated Program Cost Report of Payments and Appropriations   
(AB 3000)**

Dear Chair Skinner and Chair 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 2021-22 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 $76.9 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 | $767,307,512 | $777,816,861 | ($2,081,622) | $1,543,042,751 |
| Estimated Accrued Interest | $79,482,978 | $97,734,181 | $2,250,914 | $179,468,073 |
| **Total State Liabilities** | **$846,790,490** | **$875,551,042** | **$169,292** | **$1,722,510,824** |

Accrued interest due local agencies, SDs, and CCDs, at the Pooled Money Investment Account rates is estimated to be $179.5 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 $157.1 million from the prior year, mainly due to payments, field audit findings, and amended claims for state-mandated programs. 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 10/31/2023 | $767,307,512 | $777,816,861 | ($2,081,622) | $1,543,042,751 |
| AB 3000 Report dated 10/31/2022 | $829,732,985 | $872,530,630 | ($2,081,622) | $1,700,181,993 |
| **Net Difference** | **($62,425,473)** | **($94,713,769)** | **$0** | **($157,139,242)** |

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 | $86,209,375 | ($94,689,769) | $0 | ($8,480,394) |
| Annual Payments | ($148,634,848) | ($24,000) | $01 | ($148,658,848) |
| **Net Difference** | **($62,425,473)** | **($94,713,769)** | **$0** | **($157,139,242)** |

A final legal decision was rendered on August 28, 2023, for litigation of the Municipal Stormwater and Urban Runoff Discharges Consolidated Incorrect Reduction Claim, which may have a significant impact on accounts payable.

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

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