



The State Controller's Mandate Spending Spree!

A Review of the SCO Deficiency Report

On April 28, 2008, the State Controller issued its deficiency report to the Department of Finance requesting additional funds to repay current mandate obligations. The report provides that the current debt owed to local government and education for mandate deferrals currently totals \$1,877,415,465 (\$1,110,720,913 for local agencies; \$682,924,190 for school districts; and \$83,770,362 for community colleges). This deficiency is the result of deferred funding for new claims received during the 2005-06, 2006-07, and 2007-08 fiscal years and prior year insufficient appropriations.

The total mandate deficiency includes estimated accrued interest of \$283,571,006 (\$176,581,788 for local agencies, \$92,388,399 for school districts, and \$14,600,819 for community colleges), for the period July 1, 1996, through June 30, 2008. In addition, the report outlines the amounts owed for initial mandate programs that have not been funded. The total amount of these initial mandate claims is \$765,116,068 (\$131,074,689 for local agencies; \$450,864,601 for schools; and \$183,176,778 for community colleges).

On May 30, 2008, the Assembly Budget Subcommittee on Education Finance approved an education funding package that included \$340 million for one-time Proposition 98 funding for mandate reimbursement. The Governor's May Revise outlined a \$75 million reduction in mandate reimbursement settle up amounts. While the Senate has yet to issue its plan for education funding, historically the Senate has provided additional mandate reimbursements when the Assembly has, we can review the Controller's deficiency report and predict how far \$340 million would go if approved.

From the Report, we can see beginning on page 19 that the Controller has yet to pay some Open Meetings Act claims from as far back as the 1993-94 Budget Act. Between 1993-94 and 2003-04, the Controller has yet to finalize payments for the Open Meetings Act, Grand Jury Proceedings, and Removal of Chemicals mandate programs. These claims total \$32,186,480 and we could assume these payments will not be made from any appropriation this year as they remain unpaid even from prior appropriations. The 2004-05 Budget Act deficiency results from no payments for the Open Meeting Act program (5,707,226), the Graduation Requirements program (53,773,590), and Removal of Chemicals program (1,056,561) with an over \$9 million appropriation balance.

Beginning on page 25 of the Deficiency Report, the Controller lists the ten initial mandate programs that have not received any payments. These initial claims total \$450,864,601. The following table outlines the Budget Item, appropriation balances, appropriation deficiencies, and the State Controller's net request for Education Mandates.

Ongoing Unfunded Education Mandates

Budget Item or Other	Appropriation Balances	Appropriation Deficiency (Unpaid Claims)	Net Request
2007-08 Budget Act (Ch. 47/06 and Ch. 48/06)	\$ 36,000	(158,509,230)	(158,473,230)
2006-07 Budget Act (Ch. 47/06 and Ch. 48/06)	64,645	(176,600,978)	(176,536,333)
2005-06 Budget Act (Ch. 38/05 and Ch. 39/05)	1,257,535	(166,509,065)	(165,251,530)
2004-05 Budget Act (Ch. 208/04)	9,823,731	(60,537,377)	(50,713,646)
2003-04 and Prior Budget Acts	0	(32,186,480)	(32,186,480)
2001 Education Bill	0	(7,374,572)	(7,374,572)
Accrued Interest	0	(92,388,399)	(92,388,399)
Subtotal	\$ 11,181,911	(694,106,101)	(682,924,190)

Unfunded Education Initial Claims

Program Type	Appropriation Balances	Appropriation Deficiency	Net Request
School Mandated Cost Programs	\$ 0	(450,864,601)	(450,864,601)
Subtotal	\$ 0	(450,864,601)	(450,864,601)
Grand Total	\$ 11,181,911	(1,144,970,402)	(1,133,788,791)

Assuming a \$340 million appropriation for Education Mandates, the State Controller could repay the entire amounts for the 2005-06, 2004-05, 2003-04 Budget Acts and the 2001 Education Bill with roughly \$84 million remaining to pay either accrued interest or other mandates from the 2006-07 Budget Act. However, \$340 million would almost cover the combined 2006-07 and 2005-06 Budget Act deficiencies. There are a number of ways the Controller could apply the funds and some of its discretion could be limited if specific language on how the funds would be applied appears in the final Budget.

Clearly, the \$340 million added by the Assembly Subcommittee is a starting point and we cannot assume it will be approved. However, we do view this additional funding as evidence that mandates may be augmented over the Governor's May Revise. With over \$1.1 billion owed to the Education community for mandates, and over \$2.6 billion owed for all mandates combined (this figure includes local government and community college mandates), the State needs to provide additional funding to address this shortfall. Deciding not to fund mandates in a significant manner each year only compounds the problem, as this year we estimate over \$180 million will be filed for 2007/08 education mandates alone.

[Click this link to view the State Controller's Deficiency Report](#)