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**AB-964 Commission on State Mandates: state mandates.** (2025-2026)

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AMENDED IN ASSEMBLY APRIL 23, 2025

AMENDED IN ASSEMBLY MARCH 27, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

**ASSEMBLY BILL**

**NO. 964**

Introduced by Assembly Member Hadwick

February 20, 2025

An act to amend Section 17558.5 of the Government Code, relating to state mandates.

**LEGISLATIVE COUNSEL'S DIGEST**

AB 964, as amended, Hadwick. Commission on State Mandates: state mandates.

Existing law creates the Commission on State Mandates and establishes procedures for implementing the requirement in the California Constitution that the state reimburse local agencies and school districts for certain costs mandated by the state. Existing law makes a reimbursement claim for actual costs filed by a local agency or school district subject to the initiation of an audit by the Controller, and authorizes the Controller to make a field review of a claim after it has been submitted but before it has been reimbursed. Existing law requires the Controller to notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a claim for reimbursement that results from an audit or review.

This bill would, instead, require the Controller to notify the claimant in writing within 30 days of any adjustment that results from an audit or review. The bill would also require the Controller to allow a local agency or school district, at the sole discretion of the local agency or school district, to offset any reduced reimbursement, as prescribed, or to remit funds to the Controller.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** Section 17558.5 of the Government Code is amended to read:

**17558.5.** (a) A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for

the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

(b) The Controller may conduct a field review of any claim after the claim has been submitted, prior to the reimbursement of the claim.

(c) The Controller shall notify the claimant in writing within 30 days of any adjustment to a claim for reimbursement that results from an audit or review. The notification shall specify the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the local agency or school district, and the reason for the adjustment. Remittance advices and other notices of payment action shall not constitute notice of adjustment from an audit or review.

(d) The Controller shall allow a local agency or school district, at the sole discretion of the local agency or school district, to do either of the following:

(1) Offset any reduced reimbursement identified in subdivision (c) from any unpaid reimbursement ~~claims;~~ *claims attributed to that local agency or school district*, whether appropriated or not, to the extent *that* sufficient unpaid reimbursement claims are ~~available;~~ *determined by the Controller to exist.*

(2) Remit funds to the Controller.

(e) The interest rate charged by the Controller on reduced claims shall be set at the Pooled Money Investment Account rate and shall be imposed on the dollar amount of the overpaid claim from the time the claim was paid until overpayment is satisfied.

(f) This section does not limit the adjustment of payments if inaccuracies are determined to be the result of the intent to defraud, or if a delay in the completion of an audit is the result of willful acts by the claimant or inability to reach agreement on terms of final settlement.