

ITEM 13
PROPOSED STATEWIDE COST ESTIMATE
\$685,344

(This mandate ended on June 27, 2012, however, late initial claims may be filed until November 3, 2016 which may result in additional statewide costs)

Government Code Section 69926(b)

Statutes 2009-2010 (4th Ex. Sess.), Chapter 22 (SB 13)

Sheriff Court-Security Services

09-TC-02

STAFF ANALYSIS

Background and Summary of the Mandate

This mandated program addresses the cost of retiree health benefits for sheriff employees who provide court security services to the trial courts. Before 2009, these costs were funded by the state through the Trial Court Funding program. In 2009, the state shifted the cost of retiree health benefits for those employees to the counties. Pursuant to article XIII B, section 6(c) of the California Constitution, the Commission on State Mandates (Commission) found that reimbursement is required for these costs. Article XIII B, section 6(c), was added to the California Constitution in 2004 to expand the definition of a new program or higher level of service as follows: “A mandated new program or higher level of service includes a transfer by the Legislature from the State to cities, counties, cities and counties, or special districts of complete or partial financial responsibility for a required program for which the State previously had complete or partial financial responsibility.”

On December 5, 2014, the Commission adopted a decision¹ on the *Sheriff Court-Security Services* test claim, 09-TC-02, finding that Government Code section 69926(b), as amended by Statutes 2009-2010 (4th Ex. Sess.), chapter 22, constitutes a partial reimbursable state-mandated program within the meaning of article XIII B, section 6(c). Specifically, the Commission found that the following retiree health benefit costs that had been funded under the Trial Court Funding Program before January 1, 2003, but were then shifted to the counties by the test claim statute are reimbursable from July 28, 2009 to June 27, 2012 only:

- Amounts actually paid in the claimed fiscal year to an insurer, other benefit provider, or trustee to prefund the future retiree health benefit costs earned by county employees in the claimed fiscal year who provided court security services in criminal and delinquency matters pursuant to Government Code section 69922; and

¹ Exhibit A, Test Claim Decision.

- Amounts actually paid in the claimed fiscal year to an insurer, other benefit provider, or trustee to reduce an existing unfunded liability of the county for the health benefit costs previously earned by county employees who provided court security services in criminal and delinquency matters pursuant to Government Code section 69922.

The Commission further concluded that revenue received by a county eligible to claim reimbursement from the 2011 Realignment (Gov. Code, §§ 30025, 30027; Stats. 2011, ch. 40) for this program in fiscal year 2011-2012 shall be identified and deducted as offsetting revenue from any claim for reimbursement.

Eligible Claimants and Period of Reimbursement

Any county or city and county that incurs increased costs as a result of this mandate is eligible to claim reimbursement. To be eligible claimant must have: (1) previously included retiree health benefit costs for existing employees that provided sheriff court security services in criminal and delinquency matters in its cost for court operations and billed those costs to the state under the Trial Court Funding Program before January 1, 2003; and (2) prefunded the future retiree health benefit costs earned by county employees in the claimed fiscal year who provided court security services in criminal and delinquency matters pursuant to Government Code section 69922 or prefunded to reduce an existing unfunded liability of the county for the health benefit costs previously earned by county employees who provided court security services in criminal and delinquency matters pursuant to Government Code section 69922.

Government Code section 17557(e) states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The claimant filed the test claim on June 30, 2010, establishing eligibility for reimbursement for the 2008-2009 fiscal year. However, Government Code section 69926(b) as amended by the test claim statute (Stats. 2009-2010 (4th Ex. Sess.), ch. 22) became effective on July 28, 2009, and remained in law only until June 27, 2012, when it was repealed to implement the statutory realignment of superior court security funding by Statutes of 2011, chapter 40. Thus, the period of reimbursement for this claim is from July 28, 2009 to June 27, 2012.

Reimbursable Costs

The parameters and guidelines authorize reimbursement for the following costs:

- Amounts actually paid in the claimed fiscal year to an insurer, other benefit provider, or trustee to prefund the future retiree health benefit costs earned by county employees in the claimed fiscal year who provided court security services in criminal and delinquency matters pursuant to Government Code section 69922; and
- Amounts actually paid in the claimed fiscal year to an insurer, other benefit provider, or trustee to reduce an existing unfunded liability of the county for the health benefit costs previously earned by county employees who provided court security services in criminal and delinquency matters pursuant to Government Code section 69922.

Retiree health benefit payments to retirees or their beneficiaries made during the period of reimbursement are not eligible for reimbursement.

Offsetting Revenues and Reimbursements

The parameters and guidelines² provide the following:

Revenue received by a claimant from the 2011 Realignment (Gov. Code, §§ 30025, 30027; Stats. 2011, ch. 40) for this program and used by the claimant to pre-fund the costs of retiree health benefits of existing employees providing sheriff court security services in criminal and delinquency matters shall be identified and deducted as offsetting revenue from any claim for reimbursement.

Any other offsetting revenue the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

To the extent that the claimant has used fees or any funds provided by the state or federal government, as opposed to proceeds of local taxes, to pay for the cost of the program, those costs are not reimbursable.

Statewide Cost Estimate

Assumptions

Staff reviewed the initial reimbursement claims data compiled by State Controller's Office (Controller).³ Only the County of Sonoma submitted any initial claims, and it submitted claims for three fiscal years.

Based on this data, staff made the following assumptions and used the following methodology to develop a statewide cost estimate for this program:

- *Additional counties are likely to file late initial reimbursement claims.*

There are currently 58 counties. Of those, only the County of Sonoma filed initial reimbursement claims totaling \$685,344. Based on the test claim declarations, however, there are additional counties⁴ that have alleged actual costs paid for this program. If an eligible county files late initial claims, then the total costs incurred for reimbursement may exceed the statewide cost estimate. Late initial reimbursement claims for this program may be filed until November 3, 2016.

- *There are reasons why an eligible county that has actual costs might not file an initial claim, such as, but not limited to the following:*

An eligible county may have offsetting revenues and as a result, its actual costs do not exceed \$1,000. Pursuant to the parameters and guidelines, revenue received by a claimant from the 2011 Realignment (Gov. Code §§ 30025, 30027; Stats. 2011, ch. 40) for this program and used by the claimant to pre-fund the costs of retiree health benefits of existing

² Exhibit B, Parameters and Guidelines.

³ Claims data reported as of November 19, 2015.

⁴ Los Angeles County, Sacramento County, Kern County, and Santa Clara County have alleged actual costs incurred to be reimbursed based on test claim declarations on pages 18 through 22.

employees providing sheriff court security service in criminal and delinquency matters shall be identified and deducted as offsetting revenue from any claim for reimbursement.⁵

- *The total reimbursable costs for the program may be lower than the statewide cost estimate if they are reduced based on an audit by the Controller.*

The reimbursable costs may be reduced if they are not consistent with the requirement in the parameters and guidelines that they be “amounts actually paid by the county in the claimed fiscal year to prefund benefits earned by county employees providing sheriff court security services in criminal and delinquency matters in the claimed fiscal year” or “amounts actually paid in the claimed fiscal year to reduce an existing unfunded liability for the health benefit costs previously earned by a county employee providing sheriff court security services in criminal and delinquency matters.” Current health benefit premiums paid to retirees or their beneficiaries after retirement on a pay-as-you-go basis have not been transferred by the state and do not constitute costs mandated by the state.

In addition, Statutes 2011, chapter 40 allocated funding for trial court security costs provided by county sheriffs. To the extent these funds were used by the county to pre-fund the costs of retiree health benefits of existing employees performing the mandate in fiscal year 2011-2012, they are offsetting and claimants are required to designate them as such. If a claimant failed to designate such offsetting funds in its reimbursement claim, the Controller may reduce costs claimed accordingly.

Methodology

July 28, 2009 to June 27, 2012

The statewide cost estimate for the period July 28, 2009 through June 27, 2012 was developed by totaling the three initial reimbursement claims filed with the Controller for this period. All costs incurred after June 27, 2012 are not reimbursable.

Following is a breakdown of estimated total costs per fiscal year:

Fiscal Year	Number of Initial Claims Filed with Controller	Estimated Costs
2009-2010	1	207,785
2010-2011	1	244,570
2011-2012	1	232,989
TOTAL	3	\$685,344

Draft Proposed Statewide Cost Estimate

On December 24, 2015, Commission staff issued the draft proposed statewide cost estimate.⁶ No comments were filed on the draft proposed statewide cost estimate.

⁵ Exhibit B, Parameters and Guidelines.

⁶ Exhibit C, Draft Proposed Statewide Cost Estimate.

Staff Recommendation

Staff recommends the Commission adopt the proposed statewide cost estimate of **\$685,344** for costs incurred in complying with the *Sheriff Court-Security Services* program.