

Date of Hearing: April 19, 2023

ASSEMBLY COMMITTEE ON ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

Cottie Petrie-Norris, Chair

AB 1713 (Gipson) – As Amended March 23, 2023

SUBJECT: State and local agencies: state and federal funds: reports

SUMMARY: This bill would require a state or local agency that receives state or federal funds subject to an expiration date to report to the Legislature, within one year of the funding expiration date, a summary of how funds have been spent and a plan for spending the remaining funds. Specifically, **this bill would:**

- 1) Require a state or local agency that receives state or federal funds that are subject to an expiration date to report to the Legislature within one year of the funding expiration date a summary of how funds have been expended and a plan for how the remaining funds are to be expended.
- 2) Find and declare that ensuring transparency and adequate oversight of state and federal funding is a matter of statewide concern and is not a municipal affair, thereby making the bill's requirements applicable to all cities, including charter cities.
- 3) Provide for reimbursement of state mandated costs incurred by local agencies and school districts.

EXISTING LAW:

- 1) Existing state law provides that an appropriation of funds from the state budget shall be immediately available for encumbrance or expenditure during the period specified, or, if not otherwise limited by law, for three years after the date upon which it first became available for encumbrance or expenditure. (Gov. Code Sec. 16304)
- 2) Existing state law provides that an appropriation of funds from the state budget containing the term "without regard to fiscal years" shall be available for encumbrance from year to year until expended. (Gov. Code Sec. 16304)
- 3) Existing law provides for an annual state budget process with numerous controls for monitoring and reporting on expenditure of appropriated funds by state and local agencies for their specified purpose and applicable time periods.
- 4) Existing federal law provides for disbursement of federal funds to state and local agencies with authorization for expenditure for a wide variety of purposes, sometimes with federal expenditure deadlines that, if missed, requires the unexpended funds to revert to the federal government.

FISCAL EFFECT: Unknown. This bill has not been analyzed by a fiscal committee.

COMMENTS:

- 1) Author Intent to Increase Transparency and Accountability. According to the author, this bill would increase accountability for how taxpayer funds are spent and help prevent loss of federal funds with expenditure deadlines. The author cites as an example that the City of Los Angeles returned \$150 million in federal funding for providing shelter and supportive services back to the federal Department of Housing and Urban Development because funds were not spent by an expenditure deadline.¹ “It is our responsibility to ensure those funds are used efficiently and to the maximum benefit of the people of California. We should not be sending \$150 million earmarked to reduce homelessness back to the federal government when we still have a pervasive homelessness crisis on our hands. There are countless local organizations and constituents in need of support that consistently fight for funding. It is unfair to those and others when already allocated funds go unspent, and then they must search elsewhere for support that could have changed their conditions for the better. This bill will increase transparency throughout all levels of government and hold all parties accountable for the stewardship of funds.”
- 2) Historic Amount of Federal Funds. California is in the midst of a historic infusion of federal funds due to federal legislation enacted in the past few years, including, among others, the American Rescue Plan Act (“ARPA”) and the Infrastructure, Investment and Jobs Act (“IIJA”). As described in detail by the Department of Finance, California has received more than \$43 billion in ARPA funds that must be fully spent by December 31, 2026.² California is estimated to potentially draw an additional \$30 billion or more under IIJA in the coming years with specific requirements and expenditure deadlines.³ Federal funds not spent by applicable deadlines generally revert back to the federal government.
- 3) Focus on Federal Funds. This bill would impose on *all* state and local agencies the requirement for a report to the Legislature regarding *all* state and federal funds with an expiration date. As drafted, the bill would conceivably apply even to all funds that flow to state and local agencies from each annual state budget. These state budget funds already are monitored under current law and processes of the Department of Finance, the Legislative Analyst’s Office and legislative budget committees. While the transparency and accountability goals this bill seeks to achieve are critical, a more targeted approach may be more effective and workable. The author’s primary focus is to prevent the loss of federal funds as in the Los Angeles example cited. Thus, especially given the current massive influx of federal funds to California with expenditure deadlines in the next few years, *the committee may wish to consider amending this bill to narrow its focus to federal funds with an expenditure deadline.*
- 4) Local Agency Reporting. For federal funds that flow directly to a local agency, such as certain ARPA funds, the governing body of that recipient local agency would be responsible for ensuring applicable federal expenditure deadlines are met. Thus, it may not be practical to require the local agency to submit a report to the Legislature on what has been spent and the plan to spend remaining federal funds. Accordingly, *the*

¹ [L.A. agencies returned \\$150 million in federal homelessness funds - Los Angeles Times \(latimes.com\)](https://www.latimes.com)

² [State Fiscal Recovery Fund | Department of Finance](#)

³ [Governor Newsom Statement on Passage of \\$1.2 Trillion Infrastructure Investment and Jobs Act by Congress | California Governor](#)

committee may wish to consider amending this bill to instead require that the local agency submit the specified report to its governing body and, to ensure transparency, require the governing body to notice the report on the agenda of a public meeting.

REGISTERED SUPPORT / OPPOSITION:

Support

None received.

Opposition

None received.

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