



Bill Analysis

Author: Committee on Budget Bill Number: AB 1817

Subject: Modify the State Leadership Accountability Act (SLAA)

Summary

Among other things, this bill would, under the Government Code, modify affected state agencies' reporting requirements under the SLAA.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

Reason for the Bill

The reason for the bill is to update the SLAA.

Effective/Operative Date

This bill, providing for appropriations related to the Budget Bill and identified as a bill related to the budget in the Budget Bill, would be effective and operative immediately upon enactment.

State Law

Current state law requires the head of each state agency subject to the SLAA requirements, including the Franchise Tax Board (FTB), to biennially conduct an internal review and prepare a report on the adequacy of the agency's systems of internal accounting, administrative control, and monitoring practices in accordance with the guidance of the Department of Finance (DOF), and requires the state agency to file a plan and schedule for correcting the identified material inadequacies and material weaknesses concurrently with the report. The reports are submitted to the Legislature, the California State Auditor, the Controller, the DOF, the Secretary of Government Operations, and to the State Library where they are available for public inspection, and posted to an agency's Internet Web site within five days of finalization. The reports are due on a biennial basis no later than December 31 of each odd-numbered year.

The guidance for state agencies in conducting internal reviews of their systems of internal control as developed by the DOF, in consultation with the California State Auditor and Controller, is subject to the Administrative Procedure Act (APA) that sets forth the procedures that state agencies must follow when adopting, amending, or repealing regulations (Government Code sections 11340, et al.).

This Bill

This bill would require that state agencies subject to the SLAA, including the FTB, expand the required biennial report to include all identified inadequacies and weaknesses versus the current requirement to identify material inadequacies and material weaknesses.

This bill would also specify that the required plan and schedule for correcting inadequacies and weaknesses identified in a biennial report must be filed with the DOF by June 30, subsequent to that report's filing date rather than concurrently.

Additionally, the bill would modify the DOF's authority with respect to the adoption, amendment, or repeal of the system of reporting and general framework, or other directives to guide state agencies by providing an exemption from the rulemaking provisions of the APA.¹

Legislative History

AB 728 (Hadley, Chapter 371, Statutes of 2015) requires that a state agency's SLAA reports to be posted on the agency's Internet Web site within five days of finalization.

SB 84 (Committee on Budget and Fiscal Review, Chapter 25, Statutes of 2015) updated and renamed the Financial Integrity and State Manager's Accountability Act of 1983 to the SLAA.

AB 661 (Gaines, et al. 2013/2014) would have modified the Financial Integrity and State Manager's Accountability Act requirements. AB 661 failed to pass out of the Assembly by the constitutional deadline.

Other States' Information

Because this provision would modify reporting requirements regarding state agencies' systems, a review of other states' tax information would not be relevant.

Fiscal Impact

The modifications proposed by this bill would not significantly impact the department's costs.

Economic Impact

This bill would not impact the state's income tax revenue.

Appointments

None.

¹ Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

Support/Opposition

Support: None provided.

Opposition: None provided.

Votes

| Location | Date | Yes Votes | No Votes |
|----------------|------------|-----------|----------|
| Concurrence | 06/14/2018 | 78 | 1 |
| Senate Floor | 06/14/2018 | 29 | 8 |
| Assembly Floor | 05/10/2018 | 50 | 22 |

Legislative Staff Contact

Marybel Batjer
Agency Secretary, GovOps
Work (916) 651-9024

Khaim Morton
Legislative Deputy, GovOps
Work (916) 651-9100

Selvi Stanislaus
Executive Officer, FTB
Work (916) 845-4543

Diane Deatherage
Legislative Director, FTB
Work (916) 845-6333