



Senate Budget and Fiscal Review

Subcommittee No. 5 2005 Agendas

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California State Senate
SENATE BUDGET & FISCAL REVIEW
SUBCOMMITTEE No. 1

Agenda

March 8, 2004
Upon Adjournment of Session – Room 113

EDUCATION
JACK SCOTT, CHAIR
BOB MARGETT
JOHN VASCONCELLOS

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*The Revolving Door:
An Informational Hearing Examining California's
Parole System*



**A Joint Hearing of the
Budget and Fiscal Review Subcommittee No. 5 and the Senate
Select Committee on the California Correctional System**

Wednesday, February 23, 2005
9 a.m. – 12 p.m.
Room 2040, State Capitol, Sacramento, California

AGENDA

- I. *Welcome***
 - *Senator Gloria Romero, Chair, Select Committee on the California Correctional System*

- II. *The Parole Reforms of 2003 and 2004: Status Update***
 - *Brian Brown, Fiscal and Policy Analyst, Legislative Analyst's Office*
 - *James L'Etoile, Deputy Director (A), Parole and Community Services Edition*

- III. *Perspectives***
 - *Sean South, Critical Resistance and the Coalition for Effective Public Safety*
 - *Nancy Griffith, Chuck Alexander, Mike Jimenez, CCPOA*

- V. *Public Comment***

SUBCOMMITTEE NO. 5

Agenda

Gloria Romero, Chair
John Campbell
Mike Machado



Thursday, March 10, 2005
Upon adjournment of session
Room 112

Consultant: Brian Annis

Labor and Veterans' Affairs

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| | Veterans' Home of California – Chula Vista | |
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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Department Budgets Proposed for Consent / Vote Only

7120 California Workforce Investment Board

The federal Workforce Investment Act (Act) of 1998 established new requirements for employment and training programs for adults, youth, and dislocated workers. Pursuant to the provisions of the Act, the Governor established a state Workforce Investment Board comprised of the Governor; two members of the Senate, appointed by the President pro Tempore; two members of the Assembly, appointed by the Speaker; and representatives of business, labor organizations, community-based organizations, schools and colleges, state agencies, and local governments appointed by the Governor. The Board is tasked with developing workforce development programs into an integrated workforce investment system that can better respond to the employment, training, and education needs of its customers.

Proposed Budget: The Governor proposes \$5.6 million (federal funds and reimbursements) and 26.3 positions for the Board's budget – an increase of \$286,000. The Administration did not submit any Budget Change Proposals for this item.

Staff Comment: No issues have been raised with the Board's proposed budget.

Vote:

Department Budgets Proposed for Discussion

0559 Secretary for Labor and Workforce Development

The Labor and Workforce Development Agency (Agency) brings together the departments, boards and commissions that train, protect and provide benefits to employees and employers of California, such as unemployment insurance and workers' compensation. The roles and responsibilities of the agency are codified in Chapter 859, Statutes of 2002 (SB 1236). The Labor and Workforce Development Agency includes the Department of Industrial Relations, the Employment Development Department, the Agricultural Labor Relations Board and the Workforce Investment Board. The Agency provides policy and enforcement coordination of California's labor and employment programs and policy and budget direction for the departments and boards.

Proposed Budget: The Governor proposes \$2.2 million (all reimbursements from departments) and 13.2 positions for the Secretary's budget – an increase of \$19,000. The Administration did not submit any Budget Change Proposals for this item.

Issue for Discussion

1. Agency-Produced Video on Proposed Meal-Break Regulations. The Agency expended \$1,262 on a video, which was provided to media outlets, that advocates for meal-period regulations proposed by the Administration. The production of the video involved the following four state entities.

- The Labor and Workforce Development Agency: Produced, distributed, and funded the video.
- The Employment Development Department: Provided the facility at which the video was produced.
- The Department of General Services: Made the video for a \$1,262 fee.
- The Department Industrial Relations: Posted transcripts of the video on the Department's website.

Content of video: The transcript of the video is Attachment I to this agenda. The video includes comments from Mr. Jose Millan, Deputy Agency Secretary; testimonials from management and labor; voiceovers; and a suggest Anchor Lead; that all present positive information about the regulation. No critical information is included in the video, although there has been public opposition to this regulation as early as mid-December.

Purpose of video: On February 28, 2005, a *Los Angeles Times* article included the following comments from Mr. Rick Rice, Undersecretary of the Labor and Workforce Development Agency:

Rice said the video was intended to counter opposition led by labor. Insisting the video is not propaganda, Rice added: "What they are complaining about is that the message is not being filtered by them, but is going directly into the living rooms of their constituents."

Statutory restrictions on the use of state property for political purposes:

Section 15254 of the Government Code reads as follows:

15254. Radio and other communications facilities owned or operated by the state and subject to the jurisdiction of the Department of General Services shall not be used for political, sectarian, or propaganda purposes. Such facilities shall not be used for the purpose of broadcasts intended for the general public, except for fire, flood, frost, storm, catastrophe, and such other warnings and information for the protection of the public safety as the department may prescribe.

Staff Comment: The Agency should be prepared to discuss other videos or radio work produced by the Agency or its departments and supplied to the media.

Vote of the Budget of the Secretary of Labor and Workforce Development:

7100 Employment Development Department

The Employment Development Department (EDD) administers services to employers, employees, and job seekers. The EDD pays benefits to eligible workers who become unemployed or disabled, collects payroll taxes, administers the Family Leave program, and assists job seekers by providing employment and training programs under the federal Welfare-to-Work Act of 1997 and Workforce Investment Act of 1998. In addition, the EDD collects and provides comprehensive labor market information concerning California's workforce.

Proposed Budget: The Governor proposes \$11.6 billion (\$19.2 million General Fund), a decrease of \$562.3 million (4.6 percent) from the current-year budget. The change is primarily driven by a projected decrease in benefit claims due to improved economic conditions.

| Expenditure by Program (dollars in thousands) | 2004-05 | 2005-06 | \$ Change | % Change |
|---|---------------------|---------------------|-------------------|-------------|
| Employment & Employment Services | \$214,862 | \$217,174 | \$2,312 | 1.1 |
| Tax Collections & Benefit Payment | 11,259,402 | 10,726,262 | -533,140 | -4.7 |
| Unemployment Insurance Appeals Board | 74,735 | 75,551 | 816 | 1.1 |
| Administration | 47,174 | 52,894 | 5,720 | 12.1 |
| Distributed Administration | (46,515) | (51,194) | -4,679 | 0.0 |
| Employment Training Panel | 44,041 | 36,073 | -7,968 | -18.1 |
| Workforce Investment Act | 477,720 | 452,685 | -25,035 | -5.2 |
| National Emergency Grant Program | 45,000 | 45,000 | 0 | 0.0 |
| Unallocated Reduction | | (299) | -299 | 0.0 |
| Total | \$12,116,419 | \$11,554,146 | -\$562,273 | -4.6 |

Note on Tax Collections and Benefit Payment: Expenditures for tax collections and benefit payments are not fixed at the Budget Act levels. Provisional language with the Budget Act appropriations allows the Administration to adjust expenditures up or down for changes in either workload or payments. Changes are primarily driven by economic conditions in the state – so the \$533 million reduction in the above table reflects an improved economic outlook instead of a program cut. EDD will update their forecast of benefit payments again in May and propose corresponding changes to the appropriations.

Note on the General Fund. The Department receives little General Fund relative to its overall budget – only \$19.2 million General Fund is proposed for 2005-06. This General Fund support allows the EDD to meet federal cost-sharing requirements for tax collection. While most special funds are non-transferable to the General Fund, penalty and interest collections, in the EDD Contingent Fund and EDD Benefit Audit Fund, may be transferred to the General Fund. In recent budgets, all fund balances not needed for EDD state operations, have been transferred – with a total of \$20.4 million transferred in 2004-05 and a total of \$8.0 million proposed for transfer in 2005-06.

EDD Issues Proposed for Consent / Vote Only

1. Tax Collection and Benefit Adjustments (Baseline adjustment). The EDD budget reflects adjusted benefit expenditures in the current year and budget year. The adjustments are a result of recent benefit claim levels, and of the October 2004 forecast of future claims.

- Unemployment Insurance (UI): Benefits are proposed to decrease by \$13 million in 2004-05 and decrease by \$401.6 million in 2005-06. EDD indicates it will review staffing and propose any adjustments with the May Revision.
- Disability Program: Benefits are proposed to increase by \$382.5 million in 2004-05 and increase by \$209.2 million in 2005-06. Staffing is proposed to increase by 36.4 positions, and \$2.4 million (special fund).
- School Employees Fund Program: Benefits are proposed to decrease by \$34.1 million in 2004-05 and decrease by \$35.9 million in 2005-06. No staffing changes are proposed.

Staff Comment: No issues have been raised with this request.

2. State Unemployment Tax Act (SUTA) “Anti-Dumping” Laws (BCP #7). The EDD requests 12 positions and \$892,000 (EDD Contingent Fund) to implement the provisions of Assembly Bill 664 (Chapter 827, Statutes of 2004), which added provisions to law to prevent the practice of “SUTA dumping.” The most common practice involves unscrupulous employers setting up new “shell” companies to be assigned a lower unemployment insurance rate than their current company’s record merits. AB 664 complies with recently enacted federal legislation, and penalizes this illegal practice. Although EDD did not budget additional revenue related to this request, the analysis for AB 664 indicated that past California losses from SUTA dumping could be in the tens of millions of dollars.

Staff Comment: No issues have been raised with this request.

Vote on Consent / Vote-Only Issues:

EDD Issues Proposed for Discussion / Vote

- 1. Federal Unemployment Insurance Loans (BCP #1).** The EDD is requesting provisional language in the Budget Act to allow for the payment of interest costs, up to \$3 million (from the EDD Contingency Fund), should interest payments be necessary on federal government loans. Similar authority was provided in the 2004 Budget Act.

Background: Recent legislation increased Unemployment-Insurance (UI) benefits, but did not increase the corresponding tax base or tax rate. SB 40 (Chapter 409, Statutes of 2001, Alarcón) provided for an increase in the maximum weekly benefit from \$230 to \$450. At the time that SB 40 was enacted, EDD estimated that it would increase annual costs for the UI fund by about \$1.2 billion each year. Current law allows for UI tax rate adjustments up to specified ceilings, based on economic conditions and the individual employer's use of IU benefits. However, the Legislative Analyst finds that the current tax revenue schedule is unsustainable through the full economic cycle – suggesting that when the economy again moves toward a recession, the UI Fund will become insolvent.

The federal government provides loans to states that experience negative UI Fund balances. If the loans are repaid within the federal fiscal year, no interest or penalties are applied to the loan. In April 2004, the UI Fund became insolvent and the state borrowed \$214 million in federal funds in order to pay benefit claims. The loan was repaid in May 2004. The 2004 Budget Act provided authority to pay interest on this loan, but due to the quick repayment, the federal government did not assess interest.

Legislative Analyst Findings: In the *Analysis of the 2005-06 Budget Bill* (page F-86), the LAO indicates it asked EDD to update the UI Fund forecast using the more-optimistic LAO economic forecast. The EDD reported back that using the LAO economic numbers produced positive UI Fund balances at the end of 2005 and 2006. Still, the LAO finds corrective action is needed to maintain UI solvency through the next recession. The LAO indicates corrective action could take the form of four options:

- Increase the taxable wage base from the current \$7000.
- Increase the tax rate schedules.
- Reduce benefit payments.
- Some combination of the previous three options.

Staff Comments: The LAO projects that the EDD will not be assessed a UI interest charge in 2005; however, the authority to make an interest payment would allow for an interest payment in case the forecast is incorrect.

Vote:

2. **Workforce Investment Act (WIA) Provision Language (LAO issue):** The LAO recommends that the Legislature delete Provision 1 of the WIA Budget Act appropriation that allows the Administration to expend unanticipated “discretionary” WIA funds without the typical legislative review and normal budget requirements.

Background: WIA funds are federal funds provided to states for labor-force training and development purposes. Fifteen percent of WIA funds, called discretionary funds, can be spent on a range of workforce employment activities (state administration, statewide initiative, current employment services programs, and competitive grant programs) upon appropriation by the Legislature. The remaining 85-percent of WIA funds are allocated to local Workforce Investment Boards. Provision 1 of Item 7100-001-0869 of the 2004 Budget Act exempts WIA appropriation from Section 28.00 requirements. Section 28.00 of the Budget Act restricts the Administration’s expenditure of unanticipated federal funds and requires 30-day notification to the Legislature.

In December 2004, the Director of Finance notified the Legislature of \$21.7 million in unspent WIA funds from 2003-04. Pursuant to Provision 1, the notification creates expenditure authority without the normal input from the Legislature.

Legislative Analyst Recommendation: In the *Analysis of the 2005-06 Budget Bill* (page F-90), the LAO recommends deleting Provision 1 of Item 7100-001-0869, which would remove the exemption from the requirements of Section 28.00 of the budget bill.

Staff Comment. In the 2004 Budget Act the Legislature added a provision to the WIA appropriation that provided \$310,000 for the training of California Conservation Corps members. The Administration deleted this provision in the proposed 2005-06 budget bill.

Vote:

3. **Auditor and Collector Staffing (LAO Issue):** In the *Analysis of the 2005-06 Budget Bill*, the LAO recommends augmenting the EDD budget by \$3.6 million (\$2.6 million General Fund and \$1.2 million Disability Insurance Fund) and adding 50 auditor and collector positions. EDD indicates this proposal would increase revenues – producing a net General Fund benefit of \$1.0 million in 2005-06, which would increase to \$8.4 million in 2007-08.

Background: EDD collects from employers the payroll taxes for Unemployment Insurance (UI); employee contributions for Disability Insurance (DI); Personal Income Tax (PIT) withholdings; and payments to the employment training fund. Since 1998-99, EDD has lost 165 auditor and collector positions, most through position elimination requirements in recent budgets. At the same time, revenue-generating positions at the Franchise Tax Board and the Board of Equalization have been exempt from the position eliminations. Unlike the other tax collection entities, EDD does not a systematic method for identifying the strongest audit and collection leads with the biggest payoff.

Legislative Analyst Recommendation: In the *Analysis of the 2005-06 Budget Bill* (page F-92), the LAO recommends restoring 50 auditor and collector position. The LAO also recommends the following supplemental report language:

By January 10, 2007, the Employment Development Department shall report to the Legislature on the amount of additional revenue generated by the new auditors and collectors added during 2005-06.

Vote:

4. **Benefit Audit Backlog (BCP #5).** The EDD is requesting a one-time augmentation of \$9,133,000 (EDD Contingency Fund) and 147 temporary help personnel years, to liquidate EDD's Benefit Audit backlog. EDD reports a backlog of 2.4 million benefit audits. A benefit audit is caused when data suggests an individual has work and earnings but continues to collect benefits by not reporting his or her return to work. The EDD expects audits will result in a total of \$105.3 million in accounts receivable – with an expected recovery of \$42.1 million (including \$8.4 million in penalties and interest). This backlog developed, in part, because staff were redirected to deal with the implementation of SB 40 (Chapter 409, Statutes of 2001, Alarcón), which increase Unemployment Insurance benefits, and by new identity-theft fraud schemes that the Department has had to combat. The request is for temporary funding, because EDD believes once the backlog is liquidated, the Department will be able to handle the ongoing workload.

Vote:

5. **Underground Economy Enforcement (BCP #8).** The Governor proposes to augment the Employment Development Department by \$2.5 million (EDD Contingent Fund and Disability Insurance Fund) and 23.7 positions, 3-year limited-term to conduct increased enforcement activities against employers who violate labor laws. The EDD indicates this proposal would combat a significant increase in the number of employers attempting to illegally cut operating costs by converting acknowledged employees to independent contractors. Since this effort is expected to identify unreported wages, EDD projects a General Fund benefit of \$0.78 million in the first year, and \$1.77 million annually thereafter.

This request is one of three requests from the Administration that make up the "Economic and Employment Enforcement Coalition" proposal. If the proposal is approved, EDD will work with the other proposed coalition members, the Department of Industrial Relations and the Contractors' State License Board, to reduce underground-economy activity, and in doing so reduce unfair competition for employers who follow labor laws.

Vote:

6. **Employment Training Panel.** Employment Training Panel (ETP) Program expenditures are proposed at \$36 million in 2005-06, down from \$44 million in 2004-05. The mission of ETP is to provide financial assistance to California businesses to promote customized worker training through partnerships with government, business, and labor. A portion of ETP funds are used annually to support training in the CalWORKs program. The amount of ETP funding for CalWORKs has increased in recent years to offset General Fund reductions.

Control Section 6.60 of the 2004 Budget Act provided for State government workers' compensation savings, up to \$40 million, to be directed to CalWORKs with an equal reduction in the ETP transfer to CalWORKs. The Administration reports that this mechanism has resulted in \$16 million for additional ETP grants. The \$16 million is an ongoing benefit to ETP, and is included in the Administration's proposed budget.

Vote on the budget for ETP:

7350 Department of Industrial Relations

The objective of the Department of Industrial Relations is to protect the workforce in California, improve working conditions, and advance opportunities for profitable employment. The department enforces workers' compensation insurance laws and adjudicates workers' compensation insurance claims, works to prevent industrial injuries and deaths, promulgates and enforces laws relating to wages, hours, and conditions of employment, promotes apprenticeship and other on-the-job training, assists in negotiations with parties in dispute when a work stoppage is threatened, and analyzes and disseminates statistics which measure the condition of labor in the state.

The Governor proposes \$344.1 million (\$63.1 million General Fund), an increase of \$25.1 million from the current-year budget.

| Expenditures by Program (dollars in thousands) | 2004-05 | 2005-06 | \$ Change | % Change |
|---|------------------|------------------|-----------------|------------|
| Self-Insurance Plans | \$3,003 | \$3,587 | \$584 | 19.4 |
| Mediation/Conciliation | 2,266 | 2,261 | -5 | -0.2 |
| Workers' Compensation | 139,905 | 154,257 | 14,352 | 10.3 |
| Commission on Health and Safety and Workers' Compensation | 2,796 | 3,139 | 343 | 12.3 |
| Division of Occupational Safety and Health | 81,491 | 85,225 | 3,734 | 4.6 |
| Division of Labor Standards Enforcement | 43,490 | 46,983 | 3,493 | 8.0 |
| Division of Apprenticeship Standards | 8,369 | 9,991 | 1,622 | 19.4 |
| Division of Labor Statistics and Research | 3,930 | 3,915 | -15 | -0.4 |
| Claims, Wages, and Contingencies | 33,761 | 33,842 | 81 | 0.2 |
| Administration | 26,335 | 26,939 | 604 | 2.3 |
| Distributed Administration | (26,335) | (26,939) | -604 | 2.3 |
| Unallocated Reduction | | (955) | -955 | 0.0 |
| State-Mandated Local Programs | 2 | 1,852 | 1,850 | 92500.0 |
| Total | \$319,013 | \$344,097 | \$25,084 | 7.9 |

DIR Issues for Consent / Vote Only:

- 1. Language-Translation Service Contracts (BCP #5).** DIR requests a one-time augmentation of \$36,000 for service contracts to provide language translation services to assist workers with limited English proficiency to communicate with Division of Occupational Safety and Health staff. Conditional expenditure authority is requested up to \$60,000, should the fund balance in the Worker Safety Bilingual Investigative Support, Enforcement, and Training Account (Account) be sufficient. AB 2837 (Chapter 885, Statutes of 2002, Koretz) established the Account and specified the Account could receive contributions from individuals or private organizations, including the proceeds from a judgement in a state or federal court. In March 2004, the California District Attorneys Association gave DIR a check for \$36,000 related to an Order for Civil Compromise.
- 2. Division of Apprenticeship Standards – Apprenticeship Consultants (“Baseline” BCP #3).** DIR is requesting \$409,000 (Apprenticeship Training Contribution Fund) and four Apprenticeship Consultant positions to address the backlog in statutorily mandated audits of apprenticeship programs, and to have sufficient staffing to attend apprenticeship committee meetings for educational and mediation purposes. Ongoing funding after 2005-06, is \$378,000 annually. The number of active apprentices has increased from 58,919 in June 2000 to 70,494 in June 2004, with nearing 1,000 apprenticeship programs in operation. The number of Apprenticeship Consultant positions have fallen from 28 in 2001-02 to 21 in 2003-04 as a result of the hiring freeze and vacant-position-elimination requirements.
- 3. Division of Apprenticeship Standards – Electrician Certification Unit (“Baseline” BCP # 6).** The DIR is requesting \$566,000 (Apprenticeship Training Contribution Fund) for seven two-year limited-term positions to process and review applications in the Electrician Certification Unit. In 2006-07, the cost of the positions would be \$527,000. Workload has increased in this area with legislation adopted over the past six years. AB 931 (Chapter 781, Statutes of 1999, Calderon), required the development of standards for competency and training of electricians. AB 1087 (Chapter 48, Statutes of 2002, Calderon), required electricians to become certified by January 1, 2005. As of July 2004, only 6,200 of an estimated 70,000 electrical workers in the state have completed the process. The Department indicates these positions are needed to process this workload spike as electrical workers meet this new requirement.
- 4. Workers’ Compensation Self Insurance Plans (“Baseline” BCP #7).** The DIR requests \$525,000 (Self-Insurance Fund) and 6 positions to address workload associated with workers’ compensation group self-insurance plans. After 2005-06, the ongoing funding request is \$509,000. The Labor Code allows any individual or group of employers to meet the statutory requirement of providing workers’ compensation benefits by obtaining a Certificate of Consent to Self Insure, which indicates the employer has provided a security deposit and the DIR has reviewed

the employer's financial ability to pay any claims. The number of applications processed by the SIP staff has increased by 200-percent since 2001, while the staffing level for this area has remain unchanged.

Vote on Consent / Vote-only Issues:

DIR Issues for Discussion:

1. Economic and Employment Enforcement Coalition (BCP #1 & 2). The Governor proposes an augmentation of \$3 million (special funds) and 27.5 positions (three-year limited term) to conduct increased enforcement activities against employers who violate labor laws. The DIR would use these additional positions to increase inspection activity and issue citations and penalties to employers who keep employees “off the books” and/or do not follow workplace safety regulations. The following two DIR Divisions are included in this request:

- The Division of Labor Standards Enforcement (BCP #1) would receive \$1.5 million and 16 positions for investigation, enforcement, and collection activities associated labor-law violations in the areas of workers’ compensation, minimum and overtime wages, and licensing compliance. These positions would be funded from the Uninsured Employers Benefits Trust Fund, the Garment Industry Regulation Fund and the Unpaid Wage Fund. The Division is 80-percent funded by the General Fund, and past General Fund reductions have reduced staffing from 493 in 2001-02 to 403 in 2003-04.
- The Division of Occupational Health and Safety (BCP #2) would received \$1.5 million and 13 positions for targeted enforcement of workplace health and safety laws for the following industries with higher levels of non-compliance: construction, agriculture, and garment manufacturing. These positions would be funded from the Targeted Inspection & Consultation Fund and the Industrial Relations Unpaid Wage Fund. DIR reports funding for field enforcement positions has declined in recent years – with 245 positions funding in 2001-02 and 209 positions funded in 2004-05.

The Employment Development Department and the Contractors’ State License Board are the other members of the proposed Economic and Employment Enforcement Coalition.

Vote:

- 2. Division of Apprenticeship Standards - Clerical Positions (“Baseline” BCP #4).**
The DIR requests funding of \$246,000 (Apprenticeship Training Contribution Fund) and four Office Technician (Typing) positions – funding after 2005-06 is requested at \$219,000. The number of Office Technician (Typing) positions has fallen from 19 in 2001-02 to 10.5 in 2003-04 as a result of the hiring freeze and vacant-position-elimination requirements.

The Department indicates there has been a workload increase associated with AB 2481 (Chapter 875, Statutes of 2000, Romero), which ended the practice of depositing contractors’ apprenticeship training contributions in the General Fund and instituted an automatic redistribution of the funds to training programs based on crafts and trades within specific geographic areas. The bill created the Apprenticeship Training Contribution Fund to deposit revenue from contractors that employ apprentices on public work projects. AB 2481 requires DIR to keep data regarding the geographic location of the public works project and the crafts and trades for which the training contributions are made. The Department indicates a backlog has developed. While Budget Change Proposal #2 in 2003-04 redirected three positions to this function, the Department indicates vacant position eliminations in other areas led them to decide not to move the redirected positions.

Two of the requested positions would perform work associated with AB 2481, and two positions would provide field office support.

Vote:

8950 Department of Veterans Affairs

The Department of Veterans Affairs has three primary objectives: (1) provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided. The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds (Proposition 16, 2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004, Wesson]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy, Fresno, and Redding.

The Governor proposes total expenditures of \$301.5 million (\$67.7 million General Fund), an increase of \$3.0 million from the current-year budget.

| Expenditures by Program (dollars in thousands) | 2004-05 | 2005-06 | \$ Change | % Change |
|--|------------------|------------------|----------------|-------------|
| Headquarters | | | | |
| Farm and Home Loans to Veterans | 183,248 | 184,018 | 770 | 0.4 |
| Veterans Claims and Rights | 5,466 | 6,562 | 1,096 | 20.1 |
| Care of Sick & Disabled Veterans | 4,583 | 4,324 | -259 | -5.7 |
| Farms and Home Loans to National Guard Members | 38 | 38 | 0 | 0.0 |
| Veterans Memorials Fund | 33 | 33 | 0 | 0.0 |
| General Administration | 5,911 | 5,938 | 27 | 0.5 |
| Distributed General Administration | (5,911) | (5,938) | -27 | 0.0 |
| Total - Headquarters | 193,368 | 194,975 | 1,607 | 0.8 |
| Yountville Veterans Home | 69,496 | 71,186 | 1,690 | 2.4 |
| Barstow Veterans Home | 12,508 | 11,775 | -733 | -5.9 |
| Chula Vista Veterans Home | 23,115 | 24,518 | 1,403 | 6.1 |
| Unallocated General Fund Reduction | | (973) | -973 | 0.0 |
| Total - Headquarters and Homes | \$298,487 | \$301,481 | \$2,994 | 1.0 |

| Expenditures by Fund Type (dollars in thousands) | 2004-05 | 2005-06 | \$ Change | % Change |
|--|------------------|------------------|----------------|------------|
| General Fund | 68,604 | 67,705 | -899 | -1.3 |
| Special Fund, Bond Fund | 184,009 | 184,916 | 907 | 0.5 |
| Federal Funds | 20,392 | 21,874 | 1,482 | 7.3 |
| Reimbursements | 25,482 | 26,986 | 1,504 | 5.9 |
| Total - Headquarters and Homes | \$298,487 | \$301,481 | \$2,994 | 1.0 |

Veterans Affairs Issues for Consent / Vote Only:

1. **Chula Vista Veterans' Home (BCP #3).** The Governor proposes to convert the 52 Chula Vista residential care beds to intermediate care beds, which would allow for a higher-level of assisted care. The Administration indicates this will increase federal funds by \$2 million, decrease General Fund support by \$940,000, and require an increase of 8.4 positions. The Department indicates this increases care options for veterans and the Department doesn't anticipate any opposition from residents.
2. **Veterans Service Offices - Continuing Education (BCP #6).** The Department requests to increase local assistance to the County Veterans Service Offices by \$84,000 (Veteran Services Office Fund) to offer additional training to staff at these offices. This augmentation would be funded out of the Veteran Services Office Fund, which receives revenue from specialized veterans license plates and was created to support the County Veterans Services Offices.
3. **Northern California Veterans' Cemetery (BCP #1).** The Governor proposes to add funding of \$446,000 (\$327,000 General Fund and \$119,000 federal funds) and 1.0 position for operations and maintenance of the new Northern California Veterans' Cemetery near Redding, which is scheduled to open in November 2005. Ongoing funding after 2005-06 is requested at \$514,000 (\$271,000 General Fund). Construction of the Cemetery was authorized by SB 4 (Chapter 604, Statutes of 1999, Johannessen), which specified that expenditures for maintenance may not be more than \$600,000 per calendar year. The requested expenditures fall within the statutory cap established by SB 4.

The Administration requests approval of associated trailer-bill language that clarifies existing language and adds language to specifically allow the Cemetery to accept and expend donations. See Attachment II at the end of this agenda for the Administration's trailer-bill language.

4. **Yountville Veterans' Home Chiller Replacement (BCP #4).** The Governor proposes to augment funding by \$832,000 on a one-time basis (\$200,000 General Fund and \$632,000 Federal Grant Fund) to replace a failing chiller at the Yountville facility. The chiller generates and pumps cooled water throughout the facility to provide cooling for the institution's elderly residents and for heat sensitive medical and computer equipment. This chiller is the older of two at the facility and a gradual degradation in performance was noted. The chiller was evaluated by an independent contractor whose evaluation report noted that corrosion prohibited repair of the existing chiller and a new chiller was required.

Staff Comment: No concerns have been raised with these budget changes.

Vote on Consent / Vote-only issues:

Veterans Affairs Issues for Discussion:

- 1. College Fee Waiver Program (Committee-staff issue).** Current law provides a benefit to low-income dependents of deceased or disabled veterans through a waiver of mandatory system-wide tuition and fees at any Community College, California State University or University of California campus. The cost of the program is lost revenue to the colleges and universities, and is not included in either the Veterans Affairs or higher-education budgets.

Program requirements: Statute provides this benefit to “any child of any veteran of the United States military who has a service-connected disability, has been killed in service, or has died of a service-connected disability, where the annual income of the child, including the value of any support received from a parent, does not exceed the national poverty level.” To apply, dependents submit an application to a County Veterans’ Service Office (CVSO), which verifies veteran status with the federal government and reviews the dependents’ prior-year tax form for income eligibility. If approved, a “reward letter” is provided to the applicant for submission to the college or university.

Department of Veterans’ Affairs role: The Department of Veterans Affairs receives information from the CVSOs, on the number of applications approved and denied (The Department indicated that it stopped tracking applications denied in 2003-04 due to staff reductions). The Department does not track other data such as type of veteran disability, age of student, income of student, etc. The Department is also charged with promoting the program and handling appeals of denied applications. According to the Department, they administer this program with the equivalent of one personnel year. The Department advises the CVSOs, but does not audit their work.

Program participation and cost: The Department of Veterans Affairs indicates the number of approved applications has grown from 13,469 in 2000-01 to 14,178 in 2003-04. The number of denied applications has increased from 574 in 2000-01 to 728 in 2002-03. The Department does not track the use of the waivers or cost of the waivers at colleges and universities. Education Committee staff have contacted the college systems and the University of California reports lost revenue of \$13.6 million in 2003-04 and the California State University system reports lost revenue of \$9.4 million in 2003-04. The Community College System does not track the system-wide cost of this program.

Comparison to other financial aid programs: Most financial aid programs require more rigorous qualification of financial need. For example, all federal and California’s own Cal-Grant program determine a student’s financial need based on a common federal methodology which assesses the family’s ability to pay; parent income is included until the student is age 24 or married. These programs also have an asset ceiling and require documentation of student, parent or spousal income and assets in the form of tax forms and bank statements. In addition, the Cal Grant

program is only for undergraduates (there is no comparable state student financial aid program for graduate or professional level students) and eligibility is limited to four years of college attendance. These programs generally support students attending either private or public colleges.

Issues for discussion:

- Does the Department provide the appropriate amount of oversight for the County Veteran's Service Offices (CVSOs)?
- Does the Department collect the appropriate level of data on the program?
- Should the program be more integrated with other financial aid program both in terms of administration (i.e. involve the Student Aid Commission) and in terms of benefit levels (i.e. tie program benefits and qualifications more closely to other financial aid programs)?

Staff Comment: The Subcommittee may wish to ask the LAO if they could evaluate this program and provide the Legislature recommendations prior to next-year's budget deliberations.

- 2. Consolidated Budget Act Appropriations (BCP#2).** The Governor proposes to consolidate the support appropriations for the three existing veterans' homes and the headquarter operation into a single departmental organization code. The Administration indicates this is a more traditional budgetary treatment and will provide more flexibility to reallocate resources to meet emergent needs. While the Administration has scheduled each veterans home in the proposed budget bill, the combined appropriation would allow intra-schedule transfers of funds (pursuant to the provision of Section 26.00 of the Budget Bill), which is not allowable with separate appropriations. During past budget deliberations, the Legislature has been concerned with headquarter operations being performed by positions assigned and funded at the Veterans Homes.

Staff Comment: Given past concerns expressed by the Legislature about shifting positions and funding among the veterans homes and the headquarters, the Subcommittee may wish to consider either denying this budget request, or alternatively directing staff to craft provisional language that would prohibit shifts of funds among the homes and the headquarters.

Vote:

3. **Unallocated Budget Reduction.** The Governor proposes an unallocated General-Fund reduction of \$973,000. With the consolidated budget appropriation proposed by the Administration, this unallocated reduction could be taken at the homes or the headquarters.

Staff Comment: Given past budget reductions and deficiency requests it is questionable that the Department will be able to absorb this reduction while at the same time not redirecting any funds from the augmentations in the Budget Change Proposals requested below – which total \$1.132 million General Fund. The Department should explain how they will allocate the unallocated General Fund reduction, while at the same time not redirecting any funds from other Budget Change Proposal requests. The Department should also describe how much of this unallocated reduction would occur at the headquarters and how much would occur at each of the homes.

Vote:

4. **Veterans Claims Staffing (BCP #5).** The Department requests \$170,000 (General Fund) and two two-year limited-term positions to liquidate a backlog of claims and delayed benefits for veterans who are represented by the State in the appeals process with the U.S. Department of Veterans Affairs.

Vote:

- 5. Hospital Cost Accounting System (BCP #7).** The Department requests a one-time augmentation of \$100,000 (General Fund) to hire a consulting firm with expertise in hospital cost accounting systems. If approved and implemented, the Department indicates it would be better able to report costs for different types of care, and better estimate operational costs for new veterans homes to be opened in the future.

Vote:

- 6. Capital Outlay Projects – Yountville Home (CO BCP).** The Department requests a total of \$862,000 (General Fund) for the following three minor capital outlay projects at the Yountville home.

- \$260,000 to increase the number of paved parking spaces to serve veterans who live in Sections F and D, and their guests.
- 399,000 to increase the number of paved parking spaces to serve veterans who live in Sections C and E, and their guests.
- 203,000 to build five new bus shelters (eight bus shelters currently exist) to protect residents from sun and rain.

Vote:

Attachment I
Transcript from Administration-Produced Video on Proposed Meal-Break Regulations (obtained from <http://www.dir.ca.gov/dlse/mandrtranscript.htm>)

Screen:

The following video news release is from the California Labor and Workforce Development Agency

Screen:

Suggested Anchor Lead

The California Division of Labor Standards Enforcement issued emergency regulations that would give business owners and employees more flexibility involving meal and rest breaks, allowing California businesses to better manage staff and offer employees more choices in their work place.

The proposed rules seek to eliminate confusion and ambiguities in the law for both employees and employers.

Screen:

Suggested Anchor Lead (cont)

If approved, the changes would clear up uncertainty in the business community and create a better working environment throughout the state.

Voice over:

Prior to 2000, the rules required that companies make sure that workers took their meal breaks. Since 2000, however, California law simply requires that companies "provide" employees with meal breaks before the sixth hour of their shifts. The subtle change in the law has resulted in much confusion, penalties and even litigation.

Consequently, employees are often forced to take lunch breaks when they don't want them.

Now under new proposed regulations, workers in California would have the opportunity to take a meal break before finishing the fifth hour of a shift. It would mean that they could eat when they're hungry and not when the government tells them.

Jose Millan, Labor & Workforce Development Agency:

"The employee then has the flexibility to determine whether or not they want to eat earlier or later or skip lunch all together to run personal errands and get off work earlier."

Voice over:

Under the proposed regulations, employers must inform workers of the new rules and keep accurate time records. The change would provide choices for employees.

Doug Branigan, Regional Manager, Mimi's Café:

"Currently, the employees really don't have a choice. They're adults and they would like to have a choice, and I think the benefits to them would be they could make greater income and in a lot of cases they could get out of work, they could leave earlier."

Voice over:

These new regulations would affect every working person in California covered by state employment laws: construction workers, nurses, food service employees and agricultural workers.

Doug Hemley, Grower:

"In the employer/employee relationship the best thing is a mutually agreed upon approach. We aren't imposing on the employee something that they frankly would rather not do."

Voice over:

Forklift supervisor Lupe Rodriguez considers the proposed, new workplace schedule flexibility an added benefit for California's workers.

Lupe Rodriguez, Forklift Supervisor:

"You get things done a little bit faster and if you have something to do at the end of the day you're not looking at, well because I had to take my lunch at a certain hour .. it makes it easier for me."

Voice over:

Many working Californians can benefit from the proposed regulations because the change provides real-life relief. Workers with special circumstances such as medical conditions, childcare issues or caring for elderly parents would have flexibility with their work schedules.

Jose Millan, Labor & Workforce Development Agency:

"It's not an attempt to take away the right of an employee to a meal period, but rather to clarify the responsibility of the employer to provide that meal period for their employees."

Voice over:

The proposed meal and rest period regulations DO NOT relieve employers from any existing laws. They DO give employees more choices in managing their working and personal lives.

If the Office of Administrative Law approves the regulations, after a series of public hearings, they will go into effect by sometime this spring.

Screen:

Suggested Anchor tag

Lunch breaks have become the source of numerous lawsuits. According to the California Department of Industrial Relations, since August 11, 2004, the State has received nearly 290 notifications of violations regarding wage and hour issues. Half of those notifications involved meal and rest periods.

A copy of the proposed regulations can be found on the Department of Industrial Relations website at www.dir.ca.gov.

Screen:

Additional sound bites in Spanish

Attachment II
Proposed Trailer Bill Concerning the Veterans Cemetery

COR/CEN #14

~~Issue #1~~

Draft Trailer Bill Language

Northern California Veterans Cemetery

January 28, 2005

Government Code Section 1401 is amended to read:

1401. (a) For the purposes of Section 1400, the Shasta County Board of Supervisors may join with other northern California counties including, but not limited to, the Counties of Colusa, Del Norte, Glenn, Humboldt, Lassen, Mendocino, Modoc, Plumas, Shasta, Sierra, Siskiyou, Tehama, and Trinity, to design, develop, and construct the cemetery.

(b) All moneys received for the design, development, and construction of the cemetery shall be deposited in the Northern California Veterans Cemetery Master Development Fund, which is hereby created in the State Treasury. Notwithstanding Section 13340 of the Government Code, money in the fund is continuously appropriated to the department for the purpose of designing, developing, constructing, and equipping the cemetery. Moneys appropriated by the Legislature for these purposes shall also be deposited in the fund.

(c) (1) All moneys received for the maintenance of the cemetery, including moneys received pursuant to subdivision (b) of Section 1400, shall be deposited in the Northern California Veterans Cemetery Perpetual Maintenance Fund, which is hereby created in the State Treasury. Any state funding for the annual maintenance of the cemetery shall be appropriated by the Legislature in the annual Budget Act.

(2) It is estimated that, after the construction of the cemetery, four hundred fifty thousand dollars (\$450,000) should be appropriated annually by the state or the participating northern California counties, or both, to the department for the operating costs of the cemetery.

(3) ~~Expenditures for maintenance may~~ *Total expenditures for operations and maintenance should not be more than six hundred thousand dollars (\$600,000) per ~~calendar year~~ fiscal year as appropriated in the annual budget act.*

Government Code Section 1402 is added:

1402 (a) Notwithstanding Government Code, Section 11005, the cemetery administrator, subject to the approval of the Secretary, may accept donations of personal property including cash or other gifts, to be used for the maintenance or beautification of the cemetery.

(b) Cash donations shall be deposited into the Northern California Veterans Cemetery Perpetual Maintenance Fund and shall be expended for the maintenance and repair of the facility or for the purpose designated by the donor, subject to the approval of the Secretary. Notwithstanding Section 13340 of the Government Code, moneys in the fund, resulting from cash donations, are continuously appropriated to the department, without regard to fiscal year.

(c) (1) Proposals for the construction, placement or donation of monuments and memorials shall be subject to review by an advisory committee made up of the cemetery administrator, representatives from Shasta County, local veteran service organizations, and others, as approved by the Secretary.

(2) All monument and memorial proposals are subject to the approval of the Secretary.

(3) For the purposes of this subdivision the department shall adopt regulations related to the appropriate design, placement, and approval of monuments and memorials on the cemetery grounds.

SUBCOMMITTEE NO. 5

Agenda

Gloria Romero, Chair
John Campbell
Mike Machado



Thursday, March 31, 2005
1:00 p.m. or upon adjournment of
Senate Budget & Fiscal Review Committee
Room 4203

Governor's Reorganization Plan No. 1 of 2005 – Reforming California's Youth & Adult Correctional Agency

I. Welcome and Opening Remarks

- *Senate Majority Leader Gloria Romero, Chair*

II. Presentation of the Reorganization Plan

- *Roderick Q. Hickman, Secretary, Youth and Adult Correctional Agency*

III. Comments on the Reorganization Plan

- *Nancy Lyons, Deputy Executive Director, Little Hoover Commission*
- *Greg Jolivette, Director of the Criminal Justice Section, Legislative Analyst's Office*

IV. Public Comment

SUBCOMMITTEE NO. 5

Agenda

Gloria Romero, Chair
John Campbell
Mike Machado



Thursday, April 7, 2005
Upon Adjournment of Session
Room 112

| <u>Item</u> | <u>Department</u> | <u>Page</u> |
|-------------|--|-------------|
| 1870 | Victim Compensation & Government Claims Board..... | 3 |
| 8120 | Commission on Peace Officer Standards and Training..... | 5 |
| 0690 | Office of Emergency Services | 7 |
| 0552 | Office of the Inspector General | 15 |
| 0550 | Youth and Adult Correctional Agency..... | 17 |
| 5480 | Commission on Correctional Peace Officers' Standards and Training..... | 21 |
| 5460 | Youth Authority..... | 22 |

Proposed Consent Calendar

| | | |
|-----------------------------|--|---|
| 8140 | State Public Defender | 1 |
| 8180 | Payment to Counties for the Costs of Homicide Trials | 2 |
| 9670 | Equity Claims of the Victim Compensation & Government Claims Board & Settlements and Judgments of the Department of Justice | 1 |
| Control Section 5.25 | | 2 |
| Control Section 24.10 | | 2 |

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Department Budgets Proposed for Consent / Vote-Only**8140 STATE PUBLIC DEFENDER**

The Office of the State Public Defender (OSPD) was established in 1976 to provide indigent representation. Chapter 869, Statutes of 1997, revised the mission of the OSPD. The OSPD is now required to concentrate on post-conviction proceedings following a judgment of death. Specifically, the OSPD is limited to representing capital appellants only for the purpose of the direct appeal for all cases to which the OSPD was appointed after January 1, 1998.

Budget Request. The budget proposes \$11.3 million from the General Fund, which is a decrease of \$96,000 from anticipated current-year expenditures. The administration did not submit any Budget Change Proposals for this item.

8180 PAYMENTS TO COUNTIES FOR THE COSTS OF HOMICIDE TRIALS

It is state policy that (1) the uniform administration of justice throughout the state is a matter of statewide interest, (2) that the prosecution of trials of persons accused of homicide should not be hampered or delayed by any lack of funds available to the county for such purposes, and (3) that the cost of homicide trials should not seriously impair the finances of a county. Government Code Sections 15200 through 15204 implement these policies by allowing a county to apply to the Controller for reimbursement of specified costs of homicide trials and hearings. The reimbursement formulas vary by population of the county and provide for reimbursement of a specified percentage of one percent of the full value of property assessed within the county.

Budget Request. The budget proposes total expenditures of \$4.3 million from the General Fund. This is a decrease of \$441,000 from the current year.

9670 GOVERNMENT CLAIMS BOARD AND SETTLEMENTS AND JUDGMENTS BY THE DEPARTMENT OF JUSTICE

The budget for this item reflects statewide expenditures for equity claims against the state approved for payment by the California Victim Compensation and Government Claims Board and settlements and judgments against the state sponsored by the Department of Justice. Payment of these claims is provided to claimants through the passage of special legislation.

Budget Request. Similar to the last several years, the budget does not propose any General Fund appropriation for this purpose. Claims under \$35,000 from General Fund agencies would be paid from the base budget of the effected agency. Special Fund departments (such as the Department of Transportation) would also have the authority under this item to pay claims up to \$35,000 with DOF approval. To enable these departments to continue to pay special fund claims pursuant to this authority, the DOF is proposing to leave Item 9670 in the Budget Bill, with the provisional language addressing special funds, minus the General Fund appropriation.

Staff Comments. The proposed language is identical to the language that was approved by the Legislature for the past several years.

CONTROL SECTION 5.25 – PAYMENTS FOR LITIGATION

Control Section 5.25 provides that payments for any attorney fee claims, settlements, or judgments arising from actions in state court against a state agency or officer shall be paid from appropriations in the Budget Act that support the affected agency.

Staff Comments. The proposed language is identical to the language approved in previous years.

CONTROL SECTION 24.10 – DRIVER TRAINING FUND TRANSFERS

Background. The Driver Training Penalty Assessment Fund receives funds from a portion of the State Penalty Assessment Fund. Historically, using Control Section 24.10, specified portions of the Driver Training Penalty Assessment Fund have been transferred to the Victim/Witness Assistance Fund, the Peace Officers' Training Fund, and the Corrections Training Fund, with the remaining balance going to the General Fund.

Proposed Language. Proposed budget bill language would transfer up to \$14 million to the Peace Officer Training Fund, up to \$4.1 million to the Victim Witness Assistance Fund, and an estimated \$19.7 million to the General Fund. The language is similar to language approved in the last several years.

Staff Comments on Department Budgets Proposed for Consent / Vote-Only. No issues have been raised on the proposed consent / vote-only departments.

Action.

Department Budgets Proposed for Discussion

1870 California Victim Compensation and Government Claims Board

The California Victim Compensation and Government Claims Board, formerly known as the Board of Control, consists of three members: the Director of General Services who serves as the chair; the State Controller; and a public member appointed by the Governor. The primary functions of the Board of Control are to: (1) compensate victims of violent crime and eligible family members for certain crime-related financial losses, (2) consider and settle all civil claims against the state, (3) provide equitable travel allowances to certain government officials, (4) respond to bid protests against the state alleging improper or unfair acts of agencies in the procurement of supplies and equipment, and (5) provide reimbursement to counties for special elections expenditures.

Budget Request. The budget proposes \$133.3 million (\$101.4 million from the Restitution Fund and \$31 million federal funds), which is an increase of \$4.1 million, or 3.2 percent from anticipated current-year expenditures. Of the total proposed expenditures, \$124.1 million is proposed for the Citizens Indemnification Program, which indemnifies those citizens who are injured and suffer financial hardship as a direct result of a violent crime. This represents an increase of \$4 million, or 3.4 percent, for this program from estimated current-year expenditures.

| California Victim Compensation and Government Claims Board -- Program Expenditures | | | | | |
|---|--|------------------|------------------|----------------|-----------------------|
| Program | <i>Expenditures (dollars in thousands)</i> | | | | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | Change | |
| Citizens Indemnification | \$105,490 | \$120,085 | \$124,121, | \$4,036 | 3.4% |
| Quality Assurance & Revenue Recovery | 7,578 | 8,211 | 8,251 | \$40 | 0.5% |
| Disaster Relief Claim Program | 7 | 19 | 19 | \$0 | 0.0% |
| Civil Claims Against the State | 803 | 843 | 876 | \$33 | 3.9% |
| Citizens Benefiting the Public (Good Samaritans) | 13 | 20 | 20 | \$0 | 0.0% |
| Administration | 7,807 | 7,807 | 7,872 | \$65 | 0.8% |
| Distributed Administration | -8,905 | -8,095 | -8,169 | \$74 | 0.9% |
| Executive Office Administration | 288 | 288 | 297 | \$9 | 3.1% |
| Totals, Programs | \$113,891 | \$129,178 | \$133,287 | \$4,109 | 3.2% |
| Total Authorized Positions | 295.1 | 301.1 | 301.1 | 0 | 0.0% |

| California Victim Compensation and Government Claims Board – Source of Funding | | | | | |
|---|--|------------------|------------------|----------------|-----------------------|
| Fund | <i>Expenditures (dollars in thousands)</i> | | | | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | Change | |
| General Fund | 782 | \$0 | \$0 | \$0 | 0.0% |
| Restitution Fund | 111,513 | 88,942 | 101,376 | 12,434 | 14.0% |
| Federal Trust Fund | 1,568 | 39,374 | 31,016 | -8,358 | -21.2% |
| Reimbursements | 28 | 862 | 895 | 33 | 3.8% |
| Totals, Programs | \$113,891 | \$129,178 | \$133,287 | \$4,109 | 3.2% |

Board Issues Proposed for Consent / Vote-Only

1. Proposed Cleanup for SB 1102.

Budget Request. The administration proposes trailer bill language to make the following changes to statutes enacted by budget trailer bill SB 1102 (Chapter 227, Statutes of 2004):

- Eliminate a 15 percent surcharge to state agencies for approved stale-dated warrants claims.
- Strike language to require claimants to apply for permission from the courts to proceed “in forma pauperis” before being eligible for a fee waiver, and insert criteria to be used by the Board to determine if a fee waiver is warranted.
- Provide that the Board can request the Controller to provide direct transfer of agency surcharges to the Board.

Background. Last year, the Legislature approved trailer bill language that converted the Government Claims Program from a General Fund supported program to one that is funded from a combination of claimant filing fees and reimbursements from state agencies.

2. Finance Letter – Mandate.

Finance Letter Request. The administration has submitted budget bill language to suspend the Adult Felony Restitution mandate. This mandate has been suspended for the past several years and was proposed to be suspended in the budget year. The technical language suspending the mandate was not included in the budget bill.

Staff Comments Regarding the Proposed Consent / Vote Only Issues. No issues have been raised regarding these proposals.

Action.

8120 Commission on Peace Officer Standards and Training (POST)

The Commission on Peace Officer Standards and Training (POST) is responsible for raising the competency level of law enforcement officers by establishing minimum selection and training standards, improving management practices, and assisting local law enforcement agencies in providing necessary training and career development programs.

Budget Request. The budget proposes a total of \$60.8 million, which is an increase of \$6.1 million, or 11.1 percent from the current-year budget. This increase is due primarily to an increase of \$4.5 million for state-mandated local programs. The budget proposes to fund the previously deferred Domestic Violence Arrest Policies and Standards mandate (Chapter 246, Statutes of 1995).

Funding within POST supports law enforcement training needs such as developing and certifying courses that meet identified training needs; quality control of POST-certified courses, management and leadership training; and identifying emerging training needs. The budget proposes expenditures of \$55 million from the Peace Officer's Training Fund (POTF).

| POST Funding Sources | | | | | |
|-------------------------------|-------------------------------|-----------------|-----------------|----------------|-----------------------|
| Funding Source | <i>(dollars in thousands)</i> | | | Change | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | | |
| General Fund | \$0 | \$1 | \$4,509 | \$4,508 | n/a |
| Peace Officers' Training Fund | 46,531 | 53,471 | 55,016 | 1,545 | 2.9% |
| Reimbursements | 915 | 1,259 | 1,259 | 0 | 0.0% |
| Totals, All Funds | \$47,446 | \$54,731 | \$60,784 | \$6,053 | 11.1% |

The table below shows the proposed program expenditures for the POST.

| POST Program Expenditures | | | | | |
|-----------------------------------|--|-----------------|-----------------|----------------|-----------------------|
| Program | <i>Expenditures (dollars in thousands)</i> | | | | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | Change | |
| Standards | \$6,793 | \$6,833 | \$5,105 | -\$1,728 | -25.3% |
| Training | 25,547 | 26,375 | 29,226 | 2,851 | 10.8% |
| Peace Officer Training | 15,106 | 21,522 | 21,944 | 422 | 2.0% |
| Administration | 4,671 | 5,267 | 5,649 | 392 | 7.4% |
| Distributed Administration | -4,671 | -5,267 | -5,649 | -392 | 7.4% |
| State-Mandated Local Programs | 0 | 1 | 4,509 | 4,509 | n/a |
| Totals, Programs | \$47,446 | \$54,731 | \$60,784 | \$6,053 | 11.1% |
| Total Authorized Positions | 109.0 | 108.6 | 114.0 | 5.4 | 5.0% |

Budget Issues for Discussion

1. Position Restorations

Budget Request. The budget proposes \$721,000 from special funds and 6 positions to restore positions that were eliminated in 2002-03 and 2003-04. POST requests restoration of the following positions:

- Law Enforcement Consultant (LEC) position to field queries for management and feasibility studies.
- LEC position to develop and maintain the Instructor Development Plan.
- LEC position to develop and maintain the curriculum for the Institute for Criminal Investigation.
- Office Technician position to process 25,000 Basic Course students per year.
- Graphic Designer position to continue the move to online availability of publications.
- Librarian positions to develop and support Clearinghouse sites.

Staff Comments. In 2002-03 and 2003-04, the budget for POST was reduced by 20.3 positions and \$1.3 million in various budget reductions. The eliminated positions were either previously vacant positions or positions that have never been established.

Action.

2. Mandates

Budget request. The budget proposes \$4.5 million from the General Fund to fund the Domestic Violence Arrest Policies and Standards mandate. This mandate had been deferred in the current-year. Due to the passage of Proposition 1A, mandates can no longer be deferred.

The administration has proposed to suspend the following mandates:
Elder Abuse Law Enforcement Training (Chapter 444, Statutes of 1997).
Law Enforcement Sexual Harassment Training (Chapter 126, Statutes of 1993).

These two mandates have been suspended for the past several years.

Staff Comments. No issues have been raised concerning this proposal.

Action.

0690 Office of Emergency Services

The Office of Emergency Services (OES) coordinates emergency activities to save lives and reduce property losses during disasters and acts as the state's conduit for federal assistance related to recovery from disasters. The emergency planning is based on a system of mutual aid in which a jurisdiction first relies on its own resources and then call for assistance from its neighbors. OES also serves as the agent for the state's Office of Homeland Security regarding the strategy and distribution of federal homeland security funds.

| Office of Emergency Services – Program Expenditures | | | | | |
|--|--|--------------------|-------------------|------------------|-----------------|
| Program | <i>Expenditures (dollars in thousands)</i> | | | | |
| | 2003-04 | 2004-05 | 2005-06 | \$ Change | % Change |
| Mutual Aid Response | \$16,421 | \$16,255 | \$16,499 | \$244 | 1.5% |
| Plans and Preparedness | 252,146 | 245,923 | 246,306 | 383 | 0.2% |
| Disaster Assistance | 631,792 | 637,587 | 600,658 | -36,929 | -5.8% |
| Criminal Justice Projects | 109,111 | 207,840 | 204,127 | -3,713 | -1.8% |
| CA Anti-Terrorism Information Center | 3,350 | 6,700 | 6,700 | 0 | 0.0% |
| Administration and Executive | 6,294 | 6,372 | 6,383 | 11 | 0.2% |
| Distributed Administration and Executive | -5,399 | -5,477 | -5,477 | 0 | 0.0% |
| Office of Homeland Security | | 2,987 | 3,957 | 970 | 32.5% |
| Unallocated Reduction | | -354 | -614 | -260 | 73.4% |
| State Mandated Local Programs | 0 | 2 | 255 | 253 | n/a |
| Totals, Programs | \$1,013,715 | \$1,117,835 | \$1,078,79 | -\$39,041 | -3.5% |
| Total Authorized Positions | 431.8 | 468.7 | 486.2 | 17.5 | 3.7% |

| Office of Emergency Services – Source of Funds | | | | | |
|---|--|-------------------|-------------------|------------------|-----------------|
| Program | <i>Expenditures (dollars in thousands)</i> | | | | |
| | 2003-04 | 2004-05 | 2005-06 | \$ Change | % Change |
| General Fund | \$107,413 | \$140,445 | \$100,135 | -\$40,310 | -28.7% |
| Unified Program Account | 612 | 637 | 654 | 17 | 2.7% |
| Nuclear Planning Assessment Special Account | 2,813 | 3,397 | 3,145 | -252 | -7.4% |
| Local Prosecutors & Public Defenders Training Fund | 432 | 864 | 866 | 2 | 0.2% |
| Victim Witness Assistance Fund | 8,341 | 16,683 | 16,726 | 43 | 0.3% |
| State Assistance for Fire Equipment Account | 100 | 100 | 100 | 0 | 0.0% |
| Federal Trust Fund | 885,823 | 947,000 | 947,821 | 821 | 0.1% |
| Reimbursements | 8,181 | 8,709 | 9,247 | 538 | 6.2% |
| Antiterrorism Fund | 0 | 0 | 100 | 100 | n/a |
| Totals, All Funds | \$1,013,7 | \$1,117,83 | \$1,078,79 | -\$39,041 | -3.5% |

Budget Request. The budget proposes total expenditures of \$1.1 billion (\$100.1 million General Fund) for state operations and local assistance, a decrease of \$39 million from the estimated current year expenditures. The majority of funding for OES is local assistance (\$1 billion).

| OES Summary of Program Budget Amounts by Fund – Local Assistance | | 2005-06 | | | |
|---|------------------|---------------------|---------------------|---------------------|----------------|
| <i>(Dollars in Thousands)</i> | | | | | |
| Program | Total | Fund Source | | | |
| | | General Fund | Federal Fund | Special Fund | Reimb. |
| <i>Victim Services</i> | | | | | |
| Victim Witness Assistance | \$10,871 | | | \$ 10,871 | |
| Victim's Legal Resource Center | 41 | \$41 | | | |
| Domestic Violence | 11,481 | 2,730 | \$8,751 | | |
| Family Violence Prevention | 50 | 50 | | | |
| Violence Against Women Act (VAWA) | 12,990 | | 12,990 | | |
| Rural Domestic Violence/Child Victimization | 571 | | 571 | | |
| Mentoring Children | 260 | | 260 | | |
| Rape Crisis | 3,720 | 50 | | 3,670 | |
| Rape Prevention (DHS) | 5,571 | | | | \$5,571 |
| Homeless Youth | 396 | 396 | | | |
| Youth Emergency Telephone Referral | 127 | 127 | | | |
| Child Sex Abuse & Exploitation | 978 | 0 | | 978 | |
| Child Sex Abuse Prevention & Training | 302 | 302 | | | |
| Victims of Crime Act (VOCA) | 40,698 | | 40,698 | | |
| Mandates Claims Bill | 255 | 255 | | | |
| <i>Subtotals- Victims Services</i> | <i>\$76,317</i> | <i>\$968</i> | <i>\$59,830</i> | <i>\$15,519</i> | <i>\$0</i> |
| <i>Public Safety</i> | | | | | |
| Community Crime Resistance | \$231 | \$231 | | | |
| War on Methamphetamine | 15,000 | 15,000 | | | |
| Career Criminal Apprehension | 866 | 866 | | | |
| Career Criminal Prosecution | 3,637 | 3,637 | | | |
| Major Narcotics Vendors Prosecution | 2,641 | 2,641 | | | |
| Serious Habitual Offender | 137 | 137 | | | |
| Vertical Prosecution of Statutory Rape | 6,770 | 6,770 | | | |
| Elder Abuse Vertical Prosecution | 2,000 | 2,000 | | | |
| Child Sex Assault Prosecution | 1,304 | 1,304 | | | |
| Evidentiary Medical Training | 648 | 648 | | | |
| Forensic Sciences Improvement Act | 358 | | \$358 | | |
| Children's Justice Act (CJA) | 1,850 | | 1,775 | | \$75 |
| Vertical Defense of Indigents | 172 | 172 | | | |
| Public Prosecutors/Defenders Training | 800 | 8 | | \$792 | |
| Byrne Fund | 52,118 | | 52,118 | | |
| Residential Substance Abuse Treatment | 9,135 | | 9,135 | | |
| Local Law Enforcement | 882 | | 882 | | |
| Peace Officer Protective Equipment | 1,275 | | 1,275 | | |
| High Tech Theft Apprehension/Prosecution | 13,518 | | | 13,518 | |
| Suppression of Drug Abuse in Schools | 2,416 | 690 | | | 1,726 |
| Gang Violence Suppression | 4,063 | 2,085 | 1,005 | | 973 |
| Multi Agency Gang Enforcement Consortium | 93 | 93 | | | |
| Juvenile Justice & Delinquency Prevention | 6,060 | | 6,060 | | |
| Community Delinquency Prevention | 5,002 | | 5,002 | | |
| Juvenile Accountability Incentive | 21,769 | | 21,769 | | |
| Juvenile Justice—Project Challenge | 1,114 | | 1,114 | | |
| Rural Crime Prevention | 3,341 | 3,341 | | | |
| <i>Subtotals – Public Safety</i> | <i>\$157,200</i> | <i>\$39,623</i> | <i>\$100,493</i> | <i>\$14,310</i> | <i>\$2,774</i> |
| Totals, Local Assistance | \$233,517 | \$40,591 | \$160,323 | \$29,829 | \$2,774 |

OES Issues Proposed for Consent / Vote-Only

| Issue Title | Positions | Dollars |
|--|------------------|----------------|
| 1. Volunteer Disaster Service Worker program. Requests funding to augment the program that provides workers' compensation benefits (loss of wages and medical coverage) to volunteer disaster service workers who are injured while participating in approved disaster-related activities. Funding for this program would increase from \$663,000 to \$1,125,000 annually. (General Fund) | | \$462,000 |
| 2. Mentoring Children of Prisoners. Requests funding for the Mentoring Children of Prisoners Grant Program. The OES, in partnership with Walden House, completed an application for these funds. (Federal Funds). | | \$270,000 |
| 3. Project Safe Neighborhoods. Requests funding to act as fiscal agent in the implementation of the Project Safe Neighborhoods program. (Federal Funds). | 1.0 | \$90,000 |
| 4. Homeland Security Awareness Training. Requests 3.5 limited term positions and \$538,000 in reimbursements from the Military Department to the California Specialized Training Institute for development and provision of terrorism awareness training. | 3.5 | \$538,000 |
| 5. CALGANG Project. Requests to transfer \$300,000 from the Gang Violence Suppression Program to the CALGANG program. The CALGANG project is an automated gang intelligence database system that provides intelligence information to assist local law enforcement agencies in order to solve gang-related crimes. (General Fund) | | |
| Capital Outlay Request. | | |
| 6. New Headquarters Perimeter Fencing. Requests funding for the construction phase of the installation of steel tube perimeter fencing at the new OES headquarters. (General Fund) | | \$1,493,000 |

Staff Comments. No issues have been raised concerning these requests.

Action.

OES Issues for Discussion

1. Grant Administrative Workload Increase.

Budget Request. This proposal requests 9 positions to address workload increases created by the closure and programmatic transition of OCJP criminal justice programs and the addition of the Office of Homeland Security to OES. OES administrative staff have been unable to adequately support fiscal operations necessary to support ongoing emergency management programs, and the new homeland security and criminal justice grant programs. OES indicates that funding in the amount of \$605,000 will be redirected from within existing resources for these positions.

Staff Comments. When the functions of OCJP were consolidated with OES, 50 primarily administrative positions were eliminated as part of the cost savings. The Subcommittee may wish to ask OES to describe the need for these positions and to provide additional detail regarding what monies will be transferred to fund these new positions, and what impact it will have on those activities currently funded.

Action

2. Local Assistance Reduction – Criminal Justice Programs

Budget Request. Page 8 of the agenda highlights the local assistance programs funded through OES. The budget proposes a reduction of \$4 million to certain public safety local assistance grant programs. The proposal eliminates funding for the following programs: Community Crime Resistance Program (\$231,000); Career Criminal Apprehension Program (\$866,000); Serious Habitual Offender Program (\$137,000); Vertical Defense of Indigents (\$172,000); and Drug Abuse Suppression in Schools Program (\$690,000). In addition, the Rural Crime Prevention Program is reduced by \$1.9 million from \$3.3 million.

The OES indicates that these programs were targeted for cuts to minimize the impacts on priority law enforcement operations.

- Three of the grants do not currently have any funded grant recipients (Career Criminal Apprehension, Serious Habitual Offender, Vertical Defense of Indigents) due to delays in selecting new grantees in the current year. Current year funding for these programs will revert to the General Fund on June 30, 2005.
- The Community Crime Resistance Program and the Drug Suppression in Schools Program were selected for elimination to minimize the impact on priority law enforcement operations statewide. Both of these programs focus on prevention/education efforts with very little focus on law enforcement efforts.
- The Rural Crime Prevention Program was also selected for reduction to minimize the impact to priority law enforcement operations statewide, since this program only funds eight counties in one specific geographical region to address a specific type of crime in rural areas.

Current allocation of Rural Crime Prevention Program

| | | | |
|--------|-----------|-------------|-----------|
| Fresno | \$769,625 | Merced | \$284,125 |
| Kern | \$575,625 | San Joaquin | \$284,125 |
| Kings | \$284,125 | Stanislaus | \$284,125 |
| Madera | \$186,625 | Tulare | \$672,625 |

Action.

3. Informational Issue -- Status of Federal Funds

Page 8 of the agenda highlights the funding levels for local assistance criminal justice grants that were transferred to OES in January 2004, with the elimination of the Office of Criminal Justice Planning (OCJP). At the time of the transfer, a number of issues emerged related to the transfer of the functions.

Federal Government Froze Funding for Several Grants. As a result of inadequate accounting reports from OCJP at the time of the transfer of the grants to OES, federal agencies froze the federal funding for certain grants in October 2003. In May 2004, the federal agencies agreed to provide interim funding on the condition that the accounting records were accurately reconstructed. The grantees of these federal and state funds include local governments, law enforcement agencies, and community-based organizations. As noted in the previous issue, the awards from several federal grants were frozen after the transition to OES. The OES reports that funds from the following grants remain frozen:

EDWARD BYRNE MEMORIAL FUND: The Federal Fiscal Year (FFY) 2004 funds were awarded to OES and have been allocated to the field. There are funds from FFY 2002 and FFY 2003 that are on hold pending the reconstruction and reconciliation of the records so that the old awards can be closed out and the balances re-awarded to OES. It is anticipated that the funds will be re-awarded by the end of June.

RESIDENTIAL SUBSTANCE ABUSE TREATMENT: There was no Federal allocation of FFY 2004 funds. There are funds from FFY 2002 and FFY 2003 currently on hold pending the reconstruction and reconciliation of the records so that the old awards can be closed out and the balances re-awarded to OES. It is anticipated that the funds will be re-awarded by the end of June.

VIOLENCE AGAINST WOMEN ACT SERVICES-TRAINING-OFFICERS-PROSECUTORS PROGRAM: The FFY 2003 and FFY 2004 funds were awarded to OES and have allocated to the field. There are funds from FFY 2002 currently on hold pending the reconstruction and reconciliation of the records so that the old award can be closed out and the balance re-awarded to OES. It is anticipated that the funds will be re-awarded by the end of June.

VICTIMS OF CRIME ACT: The FFY 2003 and FFY 2004 funds were awarded to OES and have been allocated to the field. There are funds from FFY 2002 currently on hold pending the reconstruction and reconciliation of the records so that the old award can be closed out and the balance re-awarded to OES. It is anticipated that the funds will be re-awarded by the end of June.

Staff Comments. Funds from FFY 2002 will revert to the federal government if they are not expended by the end of the current federal fiscal year. The Subcommittee may wish to get an update on any funds that are at risk for reversion to the federal government.

Informational Issue.

4. Homeland Security Grants

The mission of the Office of Homeland Security (OHS) is to develop and coordinate the implementation of a comprehensive strategy to coordinate security activities throughout the state. The Director of OES reports to the Director of OHS. The table below summarizes the federal homeland security grants administered by the OHS.

| OHS Federal Homeland Security Grants | | |
|---|---|---------------------------------|
| <i>Federal Fiscal Years 2000 Through 2004</i> | | |
| Grant Program (Federal Grant Year) | Authorized Activities | Amount (In Millions) |
| State Domestic Preparedness Grants (2000, 2001, and 2002) | Purchasing personal protective equipment (PPE) and conducting exercises for first responders. | \$39.6 |
| State Homeland Security Grants (2002, 2003, and 2004) | Planning, training, and purchasing PPE for first responder agencies. | 339.8 |
| Urban Area Security Initiative Grants (2003 and 2004) | Planning, training, purchasing PPE, and paying for overtime costs during periods of elevated threat levels for large urban areas. | 203.9 |
| Total | | \$583.3 |

Expenditure of Homeland Security Grants. The LAO indicates that federal reports have found that other states and local agencies experienced spending problems due to state and local procurement laws and regulations and equipment reimbursement practices. To determine the extent to which this is a problem in California, the LAO reviewed the state's expenditure rates for homeland security grants. For the OHS administered grant programs, only 23 percent of the grant funds have been spent. For its 2000 through 2002 grants, OHS has an average expenditure rate of 75 percent. The most recent 2003 and 2004 grants, however, have a much lower average expenditure rate of 18 percent. The LAO notes that some funds have been obligated but not yet spent and that virtually all of OHS grant money has been encumbered.

| Federal Homeland Security Grant Expenditures | | | | |
|--|-----------------|----------------|--------------------------|----------------------|
| <i>(Dollars in Millions)</i> | | | | |
| Grant (Federal Grant Year) | Received | Spent | Remaining Balance | Percent Spent |
| State Domestic Preparedness Grants (2000, 2001, and 2002) | \$39.7 | \$36.2 | \$3.5 | 91% |
| State Homeland Security Grants (2002, 2003, and 2004) | 339.7 | 80.7 | 259.1 | 24 |
| Urban Area Security Initiative Grants (2003 and 2004) | 203.9 | 17.9 | 185.9 | 9 |
| Totals | \$583.3 | \$134.8 | \$448.5 | 23% |

LAO Recommendations.

Report at Budget Hearing on Grant Expenditures. The LAO recommends that OHS report at budget hearings on the reasons why California's agencies are experiencing spending delays.

Require Homeland Security Strategic Plan and Annual Expenditure Report. Currently, the state does not have a comprehensive plan for homeland security. Without a plan and ongoing assessments, the LAO notes that it is not clear how the state is maximizing the use of its federal grant funds to address overall homeland security needs. The LAO recommends that the Legislature require OHS, in collaboration with DHS, to develop a comprehensive homeland security strategic plan and annual expenditure report.

Proposed Budget Bill Language regarding development of a statewide strategic plan:

The Office of Homeland Security, in collaboration with the Department of Health Services, shall report to the Chairperson of the Joint Legislative Budget Committee, and the chairperson of the budget and policy committees of each house of the Legislature on or before January 10, 2006, a statewide strategic plan for the use of federal homeland security and bioterrorism funds by all departments and local jurisdictions. The plan shall include the state's goals and objectives for improving the state's level of preparedness for a terrorism event, which 1) is based on an assessment of the state's level of preparedness and 2) reflects a coordination of preparedness activities at the state and local level.

Proposed trailer bill language regarding an annual expenditure report:

Section x. The Office of Homeland Security, in collaboration with the Department of Health Services, shall annually report to the Chairperson of the Joint Legislative Budget Committee, and the chairperson of the budget committees of each house of the Legislature on or before January 10, its expenditures of federal homeland security and bioterrorism funds. This report shall include: 1) descriptions of the grant expenditures and coordination activities at the state and local level that have occurred over the past year; 2) how those activities met the state's strategic goals and objectives; 3) the funding amounts awarded to local jurisdictions and specific departments; 4) the funding levels by grant and grant year that have been expended, encumbered, and unencumbered; 5) any challenges that the departments or local jurisdictions encountered that hindered the expenditure of these funds; and 6) the areas of focus for the upcoming year.

Set Legislative Priorities for Homeland Security Funding. To date, the Legislature has not established statewide priorities for the funding of the state's homeland security activities. The LAO recommends that the Legislature include language in the annual budget bill establishing broad funding goals for homeland security activities for the coming year.

Proposed budget bill language regarding Priorities for Homeland Security Funding.

It is the intent of the Legislature that the funding priorities for federal homeland security funds are: (1) enhancing information sharing between local, state, and federal public safety agencies; (2) identifying and protecting critical infrastructure and key assets to deter terrorists; (3) enhancing coordination of state agencies' homeland security activities; (4) implementing the state's homeland security strategy; and (5) implementing interoperable communications for public safety agencies.

Action:

5. Office of Homeland Security Grant Administration.

Budget Request. This proposal requests 19 limited-term positions and \$1.8 million (\$1.7 million federal funds and \$100,000 Antiterrorism Fund) to manage current and future federal homeland security grants. Up to 3 percent of the total award for federal fiscal year homeland security grants are available for administrative purposes. OHS indicates that it plans to spend 3 percent on grant administration.

LAO Recommendation. It is important for OHS to monitor and audit the homeland security grants to ensure that state and local agencies are spending the funds consistent with approved grant proposals. This monitoring would also provide additional information to the Legislature on the state's homeland security efforts. The LAO recommends that the Legislature approve the administration's request for additional staff to manage the OHS homeland security grant programs.

Staff Comments. No issues have been raised regarding this request.

Action.

6. Funding for the State Strategic Committee on Terrorism (SSCOT).

Background. In 1999, the state created the State Strategic Committee on Terrorism (SSCOT), which was coordinated by the state Office of Emergency (OES) and responsible for guiding the state's preparedness and response to terrorism. The *2001-02 Budget Act* provided \$562,000 from the General Fund to OES and three positions to support SSCOT's efforts. In subsequent years, the funded amount was reduced to \$284,000. The SSCOT was eventually disbanded because it was unable to provide the comprehensive approach to homeland security. In February 2003, an executive order was issued that established the Office of Homeland Security (OHS) to coordinate the state's antiterrorism activities.

LAO Recommendation. Since the SSCOT no longer exists and the state can use federal funds to support homeland security activities, the LAO recommends that the Legislature reduce OES' General Fund appropriation by \$284,000.

Action.

0552 Office of the Inspector General

The Office of the Inspector General (OIG) has the responsibility for oversight of the state's correctional system through audits and investigations of the boards and departments within the Youth and Adult Correctional Agency. Chapter 969, Statutes of 1998, changed and expanded the role of the Inspector General and re-established the OIG as an independent entity reporting directly to the Governor. Chapter 736, Statutes of 2004 (SB 1400, Romero), established the Bureau of Independent Review within the OIG, which ensures that internal affairs cases of the CDC and the CYA are handled in a timely and professional manner, through the oversight of investigations and employee discipline at these departments.

| OIG – Summary of Program Expenditures | | | | | |
|--|----------------|----------------|----------------|---------------|-----------------------|
| (dollars in thousands) | | | | | |
| Program | 2003-04 | 2004-05 | 2005-06 | Change | Percent Change |
| Office of the Inspector General | \$4,903 | \$8,859 | \$8,980 | \$121 | 1.4% |
| Unallocated Reduction | 0 | 0 | -137 | -137 | n/a |
| Totals | \$4,903 | \$8,859 | \$8,843 | -16 | -0.2% |
| Authorized Positions | 39.7 | 52.0 | 52.0 | 0 | 0.0% |

Budget Request. The budget proposes \$8.8 million for the OIG, which is a decrease of \$16,000 (0.2 percent) from estimated current-year expenditures. There are no major adjustments proposed in the budget for the OIG.

Unallocated Reduction. The budget proposes an unallocated reduction of \$137,000, or 1.5 percent of the OIG's budget. The OIG indicates that the unallocated reduction will be taken from its operating expense and equipment budget. Specifically, the OIG will reduce its general expense, printing, communications, in-state travel, and consultation and professional services interdepartmental and external allocations.

Discussion Issues

1. Status Update on Operations – Informational Issue

In the past several years, the OIG has undergone a number of changes, including changes in the number of staff and the budget for the office. Chapters 733 (SB 1342), 734 (SB 1352), and 736 (SB 1400), Statutes of 2004, made changes to the duties and responsibilities of the OIG.

Budget Adjustments from Previous Years. The OIG has gone from a budget of \$10.9 million and 97 positions in 2001-02 to \$4.9 million in 2003-04. Last year, the OIG was initially proposed to be eliminated with 6 positions and \$630,000 moved to the YACA budget. Later, the budget was restored to provide 52 positions and \$8.9 million.

Staff Comments. Due to the downsizing and the proposed elimination of the office, over half of the OIG's current positions have been hired in the current year. In addition, statutory changes from last year have made changes in the duties and responsibilities of the OIG. The Subcommittee may wish to get an update on the OIG's ability to hire staff and implement new programs such as the Bureau of Independent Review.

Informational Issue.

2. Development of a Workload Budget.

Background. Chapter 733, Statutes of 2004 (SB 1342) established specific requirements and protocols for the OIG to follow when conducting investigations. The Governor's budget indicates that in order to implement the legislation and ensure that the OIG has the appropriate level of resources, the OIG in consultation with the Department of Finance is in the process of developing a methodology for producing a workload budget. The OIG indicates that this methodology and associated funding needs will be provided as part of the May Revise.

Staff Comments. The Subcommittee may wish to get an update from OIG on the status of the methodology for producing a workload budget.

Action.

0550 Secretary for Youth & Adult Correctional Agency

The Youth and Adult Correctional Agency (YACA) includes the Department of Corrections, Department of the Youth Authority, the Board of Prison Terms, the Youthful Offender Parole Board, Board of Corrections, Prison Industry Authority, the Narcotic Addict Evaluation Authority, and the Commission on Correctional Peace Officers' Standards and Training. The Agency provides communication, coordination, and budget and policy direction for the departments and boards.

Budget Request. The total proposed budget for the Youth and Adult Correctional Agency is \$2.8 million, which is a decrease of \$28,000, or 1 percent, from estimated current-year expenditures. The YACA is funded entirely from the General Fund. Last year, the Legislature increased funding for YACA from \$1.2 million to \$2.8 million and added 12 positions in order to provide oversight and policy direction to the departments within the agency. The increase was funded through reductions to both CYA and CDC, and YACA had indicated that the agency had been borrowing positions from the agencies to perform necessary oversight.

| YACA – Summary of Program Expenditures | | | | | |
|---|------------------------|----------------|----------------|---------------|-----------------------|
| Program | (dollars in thousands) | | | Change | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | | |
| Secretary for Youth and Adult Correctional Agency | \$1,220 | \$2,801 | \$2,816 | \$15 | 0.5% |
| Unallocated Reduction | 0 | 0 | -43 | -43 | n/a |
| Total | \$1,220 | \$2,801 | \$2,773 | -\$28 | -1.0% |
| Authorized Positions | 7.5 | 20.8 | 20.8 | 0 | 0.0% |

1. Information Item -- Implementation of Parole Reforms at CDC.

At a joint hearing of the Budget Subcommittee and the Select Committee on the California Correctional System on February 23, 2005, the Subcommittee heard testimony on the budget impact of the delays in implementing the new parole model and the parole accountability reforms from the last two years.

As part of the January budget, the CDC requested a current-year deficiency of \$207.5 million. Of that amount, \$71.9 million was directly attributable to implementation delays and over-estimated savings of the Parole Accountability reforms.

The January budget assumes that the CDC will achieve savings of \$29.3 million in the current-year as a result of the Parole Accountability reforms. Of that amount, the current-year budget assumes savings of \$25.8 million from the modification of discharge practices. To the extent that these savings are not achieved, the current-year deficiency will increase.

Information Issue

2. Information Item -- Allocation of the \$95 Million Reduction to Inmate and Parole Programs.

The budget for CDC proposes a reduction of \$95 million to inmate and parole programs. This amount represents a reduction of 28 percent from inmate and parole programs. The reductions to inmate and parole programs could include cuts to substance abuse programs, inmate or parolee employment programs, academic education programs, and vocational education programs. No Finance Letter regarding the allocation of this reduction has been received by the Legislature.

To the extent that the reduction in inmate and parolee programs has an impact on the ability to place inmates in work or education programs, or to reduce recidivism, there will be increased costs to CDC as a result of the reduction.

The Subcommittee may wish to ask what programs are being considered for reduction/elimination and what the anticipated timeline for allocating the reduction to various programs.

Information Item

3. Information Issue -- Evaluation Funds Provided in CDC Budget

Last year, the Legislature approved an augmentation of \$650,000 in the budget for CDC for research and evaluation. Budget bill language was also approved indicating that the funds were for establishing performance measures and evaluating the effectiveness of various prison and parole reforms. Prior to expenditure of the funds, CDC was required to report to the Legislature with a plan specifying how the CDC will use these funds.

Staff Comments. The CDC has not yet provided a report with how it intends to use these evaluation funds. The Subcommittee may wish to ask YACA to provide an update on the status of the report and the plans for using the evaluation funds.

Informational Issue.

4. Future Fiscal Liabilities at CDC. Current Deferred Maintenance Backlog and Leave Liability.

Some of the institutions have indicated that over the past few years, budget constraints have created a backlog of deferred maintenance projects. The CDC reports that while its special repair budget is \$10 million, it has identified over \$135 million in unfunded special repair at its institutions. Many of the unfunded projects include things like roof repairs, water quality and waste discharge repairs that are becoming problems because regular maintenance for such projects have been put off due to budget constraints.

The Subcommittee may wish to ask what actions is YACA taking to remedy this problem?

Another potential fiscal liability relates to the outstanding leave liability within the CDC. In January 2006, the retirement benefits for correctional officers will increase, which could lead to a very sharp increase in the number of retirements from the correctional officer ranks. The Subcommittee may wish to get an estimate of the leave liability for employees at CDC.

Informational Issue

5. Status of Juvenile Justice Reform Proposal.

The Governor's Budget Summary indicates that the administration is working with local government and other stakeholders in the juvenile justice system to develop a comprehensive plan to reform California's juvenile justice system and to redefine the role of the CYA, but no specific plan is included in the budget. Potential changes that are being evaluated include shifting responsibility for supervising youthful offenders on parole from CYA jurisdiction to the counties; limiting the types of offenders that can be sent to the CYA; and establishing a new direction for the CYA that focuses on the most serious offenders and those in most need of mental health and sex offender treatment.

The Subcommittee may wish to ask YACA about the status and timeframe for a proposal from the Administration?

Informational Issue.

6. Custody Employees at CDC

The CDC has approximately 3,200 positions assigned to its headquarters in Sacramento and regional administrative offices throughout the state. These positions are filled by a combination of staff with peace officer classifications—including, correctional officers, higher-ranking custody staff, and parole agents—as well as non-peace officer employees.

LAO Findings. The LAO reports that most headquarters positions are involved in the oversight, planning, or coordination of activities in CDC prisons and parole units. The duties of these positions are primarily administrative and analytical—not custodial—and involve tasks such as generating and reviewing reports, developing policies, coordinating activities in the field, and managing the department's budget.

The LAO notes that according to information from the State Controller's Office, 880 of the total headquarters and regional office positions are filled with peace officer personnel. Of these, a couple hundred are actually field assignments that report to headquarters for administrative reasons, such as correctional officers who transport inmates among institutions. The LAO

estimates that approximately 600, or about 20 percent, of actual headquarters positions are filled with custody employees performing administrative duties. By comparison, the LAO indicates that some other states with large penal systems report much lower usage of peace officers in their headquarters. For example, officials from Florida and Texas report that less than 5 percent of their headquarters is staffed with peace officers.

Based on the LAO's review of CDC's administrative positions, the LAO believes that the department could reasonably reduce its percentage of peace officer positions in headquarters and regional offices by at least 3 percent. This level of reduction would be achieved through the reclassification of 100 peace officer positions to noncustody positions. Moreover, the reclassification of 100 positions would result in about \$1.3 million in savings in the budget year if implemented by January 1, 2006. Partial-year savings are assumed to allow the department sufficient time to identify the appropriate positions and negotiate with the affected employee unions. These savings would grow to approximately \$2.5 million on an annual basis beginning in 2006-07. The department could also achieve these savings by eliminating some positions, or through a combination of reclassification and elimination of positions.

In addition, the LAO believes that the department should develop a policy that as headquarters positions become vacant in the future, the department will use noncustody staff in those positions and only use custody staff when the majority of work duties clearly require peace officer status or field experience.

Analyst's Recommendation. The LAO recommends that the Legislature adopt supplemental report language requiring the department to report by January 1, 2006, regarding both the position changes made to achieve savings of \$1.3 million in 2005-06, as well as the steps taken to ensure that positions that are vacated in the future are filled with noncustody classifications whenever possible. The following language is consistent with this recommendation:

Item 5240-001-0001—California Department of Corrections. The California Department of Corrections shall submit a report to the Legislature on or before January 1, 2006, on the conversion of peace officer positions in headquarters and regional offices to non-peace officer positions, consistent with the recommendations of the Legislative Analyst's Office and the *Analysis of the 2005-06 Budget Bill*. The report shall include the following: (1) a list of the positions in headquarters and regional offices that were reclassified or eliminated; (2) an estimate of the budget impact of these reclassifications and eliminations; and (3) the department's plan for ensuring that future position vacancies are filled with non-peace officer classifications whenever possible.

Informational Issue.

5480 Commission on Correctional Peace Officers' Standards and Training

The objective of the Commission on Correctional Peace Officers' Standards and Training (CPOST) is to enhance the training and professionalism of California's state correctional peace officers through the development of sound selection practices and effective, competency-based training programs.

CPOST is composed of six commissioners serving four-year terms. Two commissioners are appointed by, and represent, the management of the Department of Corrections, and one commissioner is appointed by, and represents, the management of the Department of the Youth Authority. Three Commissioners are appointed by the Governor upon recommendation by, and representing the membership of, the California Correctional Peace Officers' Association. Since of July 1, 2000, the CPOST has been separate from the Youth and Adult Correctional Agency, functioning as an independent entity within this agency.

| CPOST – Summary of Program Expenditures | | | | | |
|---|------------------------|----------------|----------------|---------------|-----------------------|
| Program | (dollars in thousands) | | | Change | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | | |
| Commission on Correctional Peace Officers' Standards & Training | \$1,022 | \$1,132 | \$1,156 | \$24 | 2.1% |
| Unallocated Reduction | 0 | 0 | -18 | -18 | n/a |
| Total | \$1,022 | \$1,132 | \$1,138 | \$6 | 0.5% |
| Authorized Positions | 7.6 | 8.3 | 8.3 | 0 | 0.0% |

Budget Request. The budget proposes total expenditures of \$1.1 million from the General Fund and 8.3 positions to develop, approve, and monitor selection and training standards for California's correctional peace officers. This amount is an increase of \$6,000 or 0.5 percent above estimates current-year expenditures. In 2002-03, the CPOST budget was \$2.1 million with 11.7 positions.

Staff Comments. Pending the May Revise reallocation of resources within the YACA agencies, staff recommends holding open the budget form CPOST.

5460 Department of the Youth Authority

The goals of the California Youth Authority (CYA) are to provide public safety through the operation of secure institutions, rehabilitate offenders, encourage restorative justice, transition offenders back to the community, and support local government intervention programs.

| Youth Authority -- Funding Sources | | | | | |
|---|------------------------|------------------|------------------|-----------------|----------------|
| Funding Sources | (dollars in thousands) | | | | Percent |
| Program | 2003-04 | 2004-05 | 2005-06 | Change | Change |
| General Fund | \$322,877 | \$320,079 | \$315,460 | -\$4,619 | -1.4% |
| General Fund, Proposition 98 | 36,097 | 35,859 | 34,510 | -1,349 | -3.8% |
| Lottery Education Fund | 209 | 316 | 316 | 0 | 0.0% |
| Federal Trust Fund | 1,075 | 2,232 | 1,568 | -664 | -29.7% |
| Reimbursements | 58,682 | 49,848 | 48,346 | -1,502 | -3.0% |
| Totals | \$418,940 | \$408,334 | \$400,200 | -\$8,134 | -2.0% |

Budget Overview. The Governor's Budget proposes expenditures of \$400.2 million, a decrease of \$8.1 million, or 2 percent from the current year. Of the total, \$350 million is General Fund, which is a decrease of \$6 million, or 1.7 percent below the current year. Of the General Fund appropriation, \$34.5 million is General Fund- Proposition 98, a decrease of \$1.3 million, or 3.8 percent, from current year expenditures. Authorized positions are proposed to be 3,860.4, which would be a decrease of 105 positions from the current year. This reduction is primarily due to an estimated decrease in the ward population. The budget estimates that it will receive \$48.3 million in reimbursement in 2005-06. Of this amount, the budget assumes \$25 million in reimbursements will come from fees that counties pay for the wards they send to the CYA.

| Youth Authority Program Expenditures | | | | | |
|---|------------------------|------------------|------------------|-----------------|----------------|
| Spending by Program | (dollars in thousands) | | | | Percent |
| | 2003-04 | 2004-05 | 2005-06 | Change | Change |
| Institutions and Camps | \$328,661 | \$315,120 | \$310,525 | -\$4,595 | -1.5% |
| Parole Services | 43,030 | 43,845 | 41,209 | -2,636 | -6.0% |
| Education Services | 44,871 | 46,595 | 44,522 | -2,073 | -4.4% |
| Youth Authority Board | 1,509 | 3,231 | 3,251 | 20 | 0.6% |
| Administration | 27,537 | 31,711 | 31,040 | -671 | -2.1% |
| Distributed Administration | -26,668 | -31,063 | -30,347 | 716 | -2.3% |
| Unallocated Reduction | | -1,105 | 0 | 1,105 | -100.0% |
| Totals, All Programs | \$418,940 | \$408,334 | \$400,200 | -\$8,134 | -2.0% |
| Authorized Positions | 4,164.6 | 3,965.4 | 3,860.4 | -105.0 | -2.6% |

Overview

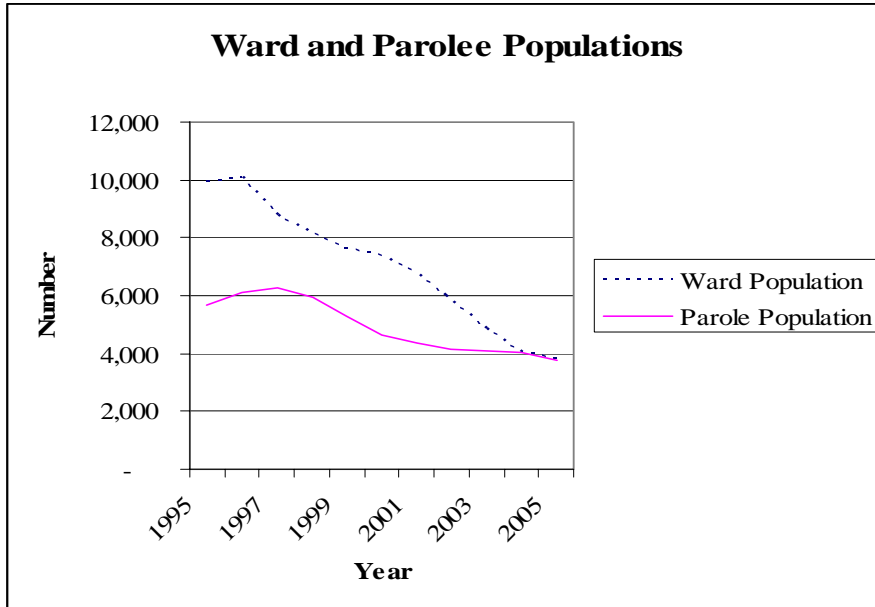
CYA at a Glance.

| Characteristics of the CYA population as of June 30, 2004 (Showing Percentages of Totals) | |
|---|------------|
| Category | Percentage |
| Gender | |
| Male | 95.0 |
| Female | 5.0 |
| Court of Commitment | |
| Juvenile | 96.8 |
| Criminal | 3.2 |
| Top Five Counties of Commitment | |
| Los Angeles | 24.5 |
| San Bernardino | 7.2 |
| Fresno | 5.9 |
| Riverside | 5.4 |
| Alameda | 5.0 |
| Commitment Offense | |
| Violent Offenses | 59.3 |
| Property Offenses | 21.8 |
| Drug Offenses | 3.9 |
| Other Offenses | 15.5 |
| Admission Status | |
| 1 st Commitment | 84.5 |
| 1 st Return | 11.4 |
| 2 nd Return | 3.4 |
| 3 rd Return or more | 0.7 |
| Ethnicity | |
| Hispanic | 49.5 |
| African American | 29.5 |
| White | 15.5 |
| Asian | 3.3 |
| Other | 2.3 |
| Average Age (years) | 19.3 |

Historical Population Trends

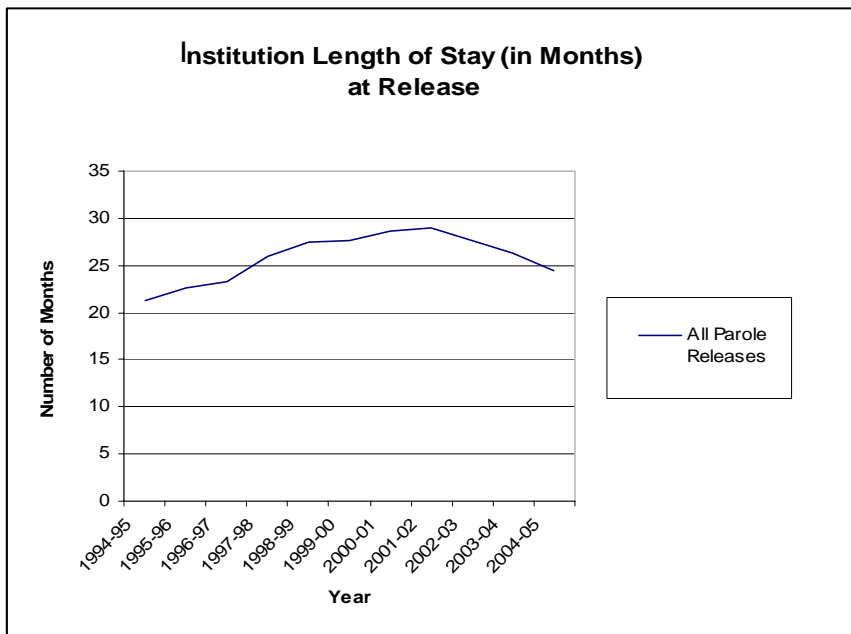
As can be seen in the table on the next page, the ward population has reduced in recent years from 10,114 wards at the end of 1995-96. The ward population as of March 2, 2005 is 3,318.

The parole population has reduced in recent years from 6,249 at the end of the 1996-97 fiscal year. The parole population as of January 2005 was 4,007.

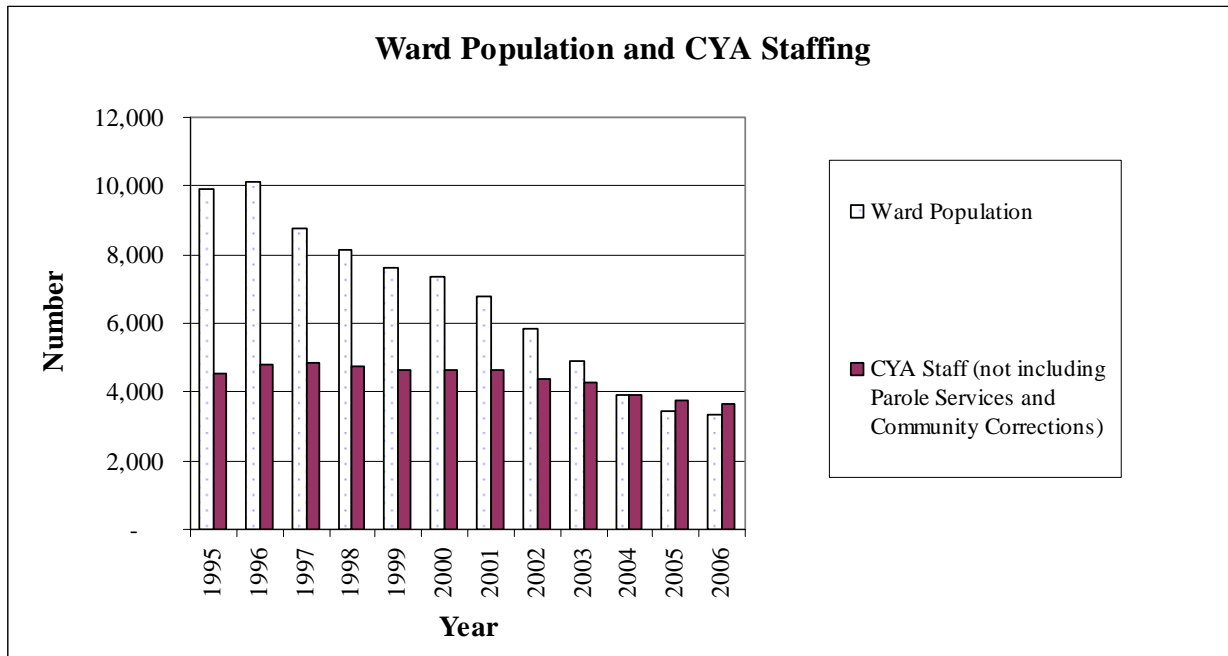


Average Length of Stay

The average length of stay has been decreasing for the last several years. In 2000-01, the average length of stay was 29 months. In the current fiscal year through January 2005, the average length of stay was 24.5 months. The Fall projections estimate that this trend will continue with the average length of stay approaching 23.7 months by fiscal year 2008-09.



Staff Resources at CYA. As can be seen in the table below, in the last eleven years, the staff ratios for CYA have changed significantly.



In the current year, the staff ratio (excluding Parole and Community Corrections staff) is approximately 11:10. The CYA indicates that this ratio better approximates the staffing ratios in other states than historical staffing ratios. The following table shows a staffing ratio comparison with 5 other states that officials of CYA visited in 2000.

| Survey of Staffing Ratios from 5 States in 2000 | | | |
|---|-----------------|------------------------|------------------|
| State | Total Employees | Institution Population | Staff:Ward Ratio |
| California | 5,212 | 7,113 | 7:10 |
| Texas | 5,064 | 5,540 | 9:10 |
| New York | 3,049 | 2,239 | 14:10 |
| Ohio | 2,031 | 2,021 | 1:1 |
| Illinois | 1,495 | 1,893 | 8:10 |
| Pennsylvania | 1,193 | 727 | 16:10 |

Average Cost Calculation. This is not an official statistic but rather an average cost per ward calculation based on total CYA expenditures minus parole services divided by the estimated ward population at the end of the fiscal year. The calculation was \$76,157 in 2002-03 and \$96,685 in 2003-04. The average cost is projected to be \$106,265 in the current year, and \$107,805 in the budget year.

Computed Per-Capita Costs. Based on the current-year budget, CYA has calculated the per capita cost as \$71,700, as shown in the following ward per capita cost chart. The chart breaks out major program elements within CYA's budget. The Per-Capita cost does not include funding for parole services or administration.

| CYA 2004-05 Ward Per Capita Cost Chart | | |
|---|-----------------|-------------------|
| Element | Amount | Percentage |
| Casework | \$3,585 | 5% |
| General Population | 4,302 | 6 |
| Mental Health | 11,472 | 16 |
| Formal Drug Programs | 287 | 0.4 |
| Special Management Program | 1,434 | 2 |
| Medical | 3,585 | 5 |
| Training | 143 | 0.2 |
| Religion | 287 | 0.4 |
| Security | 12,906 | 18 |
| Business Operations | 2,151 | 3 |
| Feeding | 2,868 | 4 |
| Plant Operations | 4,302 | 6 |
| Subsistence and Personal Care | 15,057 | 21 |
| Education | 9,321 | 13 |
| | | |
| Total | \$71,700 | 100% |

- *Casework.* Includes individual and group counseling, therapy sessions, and such programs as Work Experience/Employability Skills Training, and recreational/cultural activities.
- *General Population.* The eight institutions and three Youth Conservation Camps must operate 24 hours a day every day of the year and provides core basic programs.
- *Mental Health Treatment.* These programs are intended for individuals with serious emotional needs and whose treatment needs cannot be met solely in a basic program. It includes the Intensive Treatment Program, Sex Offender Program, Specialized Behavioral Treatment Program, Correctional Treatment Program, Intercare Facilities, General Population Out-patient, and Specialized Counseling Program.
- *Formal Drug Programs.* Provides substance abuse treatment needs.
- *Special Management Programs.* Includes Youth Conservation Camps, Lock-up Units, Pre-Camps and the Foster Grandparent Program.
- *Medical.* This includes general medical care plus dental care.

- *Training.* Includes the cost of basic academy for peace officers.
- *Religion.*
- *Security.* Includes security staff, detention and transportation costs.
- *Business Operations.* Includes Facilities Operations and other administrative functions.
- *Feeding.* The Youth Authority provides three meals a day.
- *Plant Operations.* The eight secure institutions and three Youth Conservation Camps must operate 24 hours a day every day of the year. Ward crews augment professional staff to help with institutional maintenance.
- *Subsistence and Personal Care.* Includes the cost of clothing, laundry and other personal care items, such as towels, toilet paper, etc.
- *Education.* Includes academic and vocational education teachers and support costs.

April 1 Finance Letters for CYA.

The Legislature received a number of April 1 Finance Letter proposals for the CYA. The Finance Letter requests will be reviewed and discussed at a future meeting. Due to the *Farrell v. Allen* Consent Decree, there will be a number of changes in the operations of the CYA, and the budget for the CYA will change significantly by the time of the May Revise. One example from the April Finance Letters is a request for an additional \$17.1 million to implement the Education Remedial Plan required by the lawsuit.

1. CYA Population Estimates.

Ward Population Estimates. The proposed budget estimates that the ward population will decrease by 465 (12 percent) below previous estimates for the current year to 3,430 wards on June 30, 2004. The budget for 2005-06 is based on estimates that the ward population will decline by another 100 wards (3 percent) in the budget year, resulting in a ward population of 3,330 by June 30, 2006. The ward population has reduced in recent years from 10,114 wards at the end of 1995-96. Long-range projections call for the institution population to slowly decrease to a total ward population of 3,045 by June of 2009.

Parolee Population Estimates. The proposed budget estimates that the parole population will decrease to 3,790 by the end of current year, a slight increase above the number previously estimated in the budget – 3,755. The proposed budget projects the parole population to decrease by 340 cases to 3,450 by June 30, 2006. The department attributes the expected decrease to the declining institution population that will result in fewer parole releases. The parole population has reduced in recent years from 6,249 at the end of the 1996-97 fiscal year. The population projections estimate the parole population to steadily drop to 2,970 by June 30, 2009.

Spring Population Projections Estimate Reductions in CYA Populations. The CYA has recently released its Spring population projections. The institution population is projected to be 3,040 on June 30, 2005, a decrease of 390 wards from the Fall projections. The Spring projections estimate that the institution population at the end of the budget year will be 2,615, a decrease of 715 wards from the amount assumed in the January budget proposal. The Spring Projections estimate that the ward population will decrease to 2,255 by June 30, 2009. The parole population is projected to decline more slowly, decreasing by 75 from the estimate in the January budget to 3,375 parolees. The parole population is now projected to decrease to 2,410 by June 30, 2009.

Budget Request. The budget proposes a reduction of 140.5 positions, an increase of \$186,000 General Fund, and a reduction of \$11.7 million in reimbursements due to the projected decline in CYA population.

LAO Recommendation. The LAO notes that the Administration's juvenile justice reform proposal will have an affect on the CYA's population projections. The LAO recommends that the Legislature direct the Youth Authority to incorporate, into its spring population projections an estimate of the impact of the Governor's policy proposals on CYA's future population.

Staff Comments. The budget impact of the new Spring Projections, and any other policy changes will be released with the May Revise.

Action.

2. DNA Request

Budget Request. The budget proposes an increase of 1 position and \$525,000 in one-time funding for costs associated with the implementation of the new Proposition 69 DNA initiative passed by the voters in November 2004.

Issue. The CYA has indicated that it plans to collect buccal samples from parolees beginning in the budget year. The request assumes that parole agents will require overtime pay to collect the DNA samples. The ALO notes that parole agents currently collect drug test samples from parolees while they are performing their monthly parole contact visits.

LAO Recommendation. The LAO notes that one advantage of the buccal swab is its ease of use. The LAO believes that parole agents could collect a parolee's sample during a routine visit without the use of overtime. The LAO recommends a reduction of \$119,000 for parole agent costs.

Action.

3. Camp Closures/Conversions

Budget Request. The budget proposes the closure of the Ben Lomond Youth Conservation Camp (located in Santa Cruz), the Washington Ridge Youth Conservation Camp (located in Nevada City) and the Preston Youth Correctional Pre-Camp (Located in Ione) by March 2005 for an estimated savings of \$2.3 million in the current year and \$6.7 million in the budget year. The administration proposes to convert these camps into adult conservation camps for Level I and Level II inmates during the current year.

Issue. The LAO notes that the savings may be overstated because of delays for closing the camps in the current year. The LAO indicates that the CYA will likely close the camps in May rather than March. Also the budget proposes conversion to accommodate adult inmates but provides no details regarding the cost of the proposal.

LAO Recommendation. The LAO recommends that the CYA report on the the cost and timing of the proposed conversion and modification, and the fiscal and population related impact to the CDC budget.

Action.

5460 California Youth Authority

Capital Outlay

Budget Request. Budget includes \$3.6 million from the General Fund for the following capital outlay purposes:

| CYA Capital Outlay Requests | | | | |
|-----------------------------|--|-----------|--------|--------------|
| | Project | Location | Phase | General Fund |
| 1 | Budget Packages and Advance Planning. | Statewide | | \$250,000 |
| 2 | Fire Protection Sprinkler Systems. Proposal to install sprinkler systems in housing units and buildings. Total costs for this project are estimated at \$13.6 million. | Statewide | PP | \$646,000 |
| 3 | Central Kitchen Renovation of Floor and Blast Chillers. Proposal to replace existing concrete floor and blast chiller system. Total costs are estimated at \$1.2 million. | NCYCC | PP, WD | \$197,000 |
| 4 | Minor Capital Outlay Projects. | Statewide | | \$2,500,000 |
| | Total | | | \$3,593,000 |

PP – Preliminary Plans

WD – Working Drawings

Staff Comments. The LAO indicates that they no longer have any issues with these projects.

Action.

Correctional Healthcare: An Informational Hearing



A Joint Hearing of the Budget and Fiscal Review Subcommittee No. 5 and the Senate Select Committee on the California Correctional System

2nd Hearing in a Series

Thursday, April 14th, 2005, 9:30 am
Room 112, State Capitol, Sacramento, California

AGENDA

I. *Welcome*

- *Senator Gloria Romero, Chair, Senate Select Committee on the California Correctional System and Budget and Fiscal Review Subcommittee No. 5*

II. *Correctional Healthcare: CDC's Other Billion Dollar Failure*

- *Greg Jolivette, Director, Criminal Justice, Legislative Analysts Office*

III. *Court-ordered Reform: The Implementation of Plata*

- *Don Specter, Attorney, Prison Law Office*

III. *Departmental Response to Plata*

- *Dr. Renee Kanan, Deputy Director (A), Health Care Services Division*
- *Kevin Carruth, Undersecretary, Youth and Adult Correctional Agency*

IV. *"Brain-dead" Inmates: Guarding and Medical Costs*

- *John Provencio and Nancy Mendoza, parents of Daniel Provencio*
- *Dr. Renee Kanan, Deputy Director (A), Health Care Services Division*
- *Kevin Carruth, Undersecretary, Youth and Adult Correctional Agency*
- *David Warren, Inmate Family Council*
- *Dennis Marino, Retired Deacon, Sacramento Catholic Archdiocese*

V. *Public Comment*

VOTE ONLY

VI. *Governor's Reorganization Plan No. 1: Report: Findings and Recommendations*

California State Senate

MEMBERS:
JOHN CAMPBELL
MIKE MACHADO



COMMITTEE
ON
BUDGET AND FISCAL REVIEW
SUBCOMMITTEE NO. 5 ON
PUBLIC SAFETY, LABOR &
VETERANS AFFAIRS

ROOM 313, STATE CAPITOL
SACRAMENTO, CA 95814
(916) 445-1418

SENATOR
GLORIA ROMERO
CHAIR

APRIL 18, 2005

The Honorable Wesley Chesbro, Chair
Senate Budget & Fiscal Review Committee
and members of the committee

Dear Senator Chesbro and members of the committee:

In a hearing on March 31, 2005, the Budget & Fiscal Review Subcommittee #5 on Public Safety, Labor and Veterans Affairs reviewed the Governor's plan to reorganize the Youth and Adult Correctional Agency, creating a new Department of Corrections and Rehabilitation. The Subcommittee is issuing this report to the Senate Budget & Fiscal Review Committee for adoption in accordance with Government Code § 12080.2.

The Subcommittee has concluded that the plan, while deficient in several areas, is a positive first step in reforming California's correctional system. The Subcommittee has voted to adopt this report that recommends that the reorganization plan be allowed to become law if the specific modifications to the plan contained in SB 737 are adopted by the Legislature.

At nearly \$7 billion annually, the current correctional system provides neither public safety nor crime prevention. The Governor's Reorganization Plan (GRP 1) embraces the vision, mission and values as outlined by the Youth & Correctional Agency's Strategic Plan. GRP 1 is aimed at addressing the chronic problems in the current organizational structure, which contributes to the increased cost and litigation to the departments, and still fails to reduce the rates of recidivism or rehabilitate youth and adult offenders.

The GRP improves the current system in several ways. It consolidates the power and authority of the new Department of Rehabilitation under the department's Secretary, clarifying the chain of command. It highlights the importance of policy, planning and research; it focuses on performance assessments and the improvement of program outcomes, and underscores the need for greater community partnerships.

Nonetheless, the Subcommittee has identified several weaknesses in the plan that can be adequately addressed in SB 737. First, the elimination of the Youth Authority and the Youth Authority Board and the integration of both youth and adult operations and services would exacerbate the fragmentation that already exists in the continuity of juvenile justice services. Second, the plan does not provide adequate independent oversight and accountability, demonstrated most notably by the GRP's removal of Senate confirmation of prison wardens. Finally, the plan does not address the specific needs for health care services, the needs of incarcerated women, or the needs of victims and survivors of crime.

To meet these concerns, SB 737 contains specific provisions consolidating juvenile justice functions and services under a separate chief deputy secretary. It creates a state Advisory Commission on Juvenile Justice to provide comprehensive oversight, planning and coordination of juvenile justice efforts between state and local entities. It increases accountability and oversight by providing a process by which the Inspector General will conduct warden appointment reviews and further requires the Inspector General to audit each institution every four years. Additional oversight is realized by Senate confirmations of key policy making positions within the highest levels of the new department. These include an Assistant Secretary for Healthcare and a director of female offender programs. SB 737 also creates an Assistant Secretary for Victim and Survivor Rights and Services and a victim's rights advocate as a gubernatorial appointment to the Advisory Commission on Juvenile Justice.

The Subcommittee recognizes that while this reorganization is far from perfect, it is a step forward bringing California's corrections into the 21st century. It is also clear that the Administration and Legislature will need to continue to work together to strike the appropriate balance between our responsibility to victims and the need to provide improved public safety through crime prevention and reductions in recidivism. To achieve these goals, there will need to be an ongoing fiscal commitment as well as a commitment of cooperation.

Finally, the Subcommittee appreciates the assistance of Secretary Rod Hickman, the Legislative Analyst's Office, and the Little Hoover Commission, and everyone who has participated in our review of the GRP and other public hearings that have provided the committee with valuable information and insight. Also, we are grateful for the exceptional work of the many people that have contributed to this process and report, specifically Karen Pank from the Governor's office, Alison Anderson with the Senate Committee on Public Safety, and the staff of the Senate Budget and Fiscal Review Committee and Senate Republican Caucus.

Sincerely,

/s/ Senator Gloria Romero

Senator Gloria Romero, Chair
Budget & Fiscal Review
Subcommittee #5

/s/ Senator John Campbell

Senator John Campbell,
Vice Chair

/s/ Senator Mike Machado

Senator Mike Machado,
Member

California State Senate

MEMBERS:
JOHN CAMPBELL
MIKE MACHADO

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SENATOR
GLORIA ROMERO
CHAIR

Governor's Reorganization Plan No. 1
Introduced to the Legislature on February 22, 2005

Report: Findings and Recommendations
April 14, 2005

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Summary of GRP 1

As submitted to the Legislature on February 22, 2005, the Governor's Reorganization Plan No. 1 (GRP 1) abolishes the Youth and Adult Correctional Agency (YACA), the Department of Corrections (CDC), the California Youth Authority (CYA), the Board of Prison Terms (BPT), the Commission on Correctional Peace Officer Standards & Training (CPOST), the Board of Corrections (BOC), the Youth Authority Board (YAB), and the Narcotic Addict Evaluation Authority (NAEA), as of July 1, 2005.

In its place, GRP 1 creates the Department of Corrections and Rehabilitation, which includes the Corrections Standards Authority and the Board of Parole Hearings. The new department is vested with the authority and responsibilities of all the entities listed above, plus the State Commission on Juvenile Justice, Crime and Delinquency Prevention. Within the new Department, the Council on Mentally Ill Offenders, the Prison Industry Authority and Board, the California Council for Interstate Adult Offender Supervision, and the Joint Venture Policy Advisory Board continue their authority and jurisdiction.

GRP 1 further establishes the Board of Parole Hearings, comprised of 17 members, confirmed by the Senate, appointed for three-year terms and responsible for the duties and functions of the BPT, NAEA, and YAB. GRP 1 makes various substantive changes to current law concerning inmate parole hearings.

GRP 1 also creates the Corrections Standards Authority, comprised of 17 members, 12 of whom are confirmed by the Senate, which is responsible for the duties and functions of the BOC and CPOST.

The Secretary of the Department of Corrections and Rehabilitation is designated as the chief executive officer, who is subject to confirmation by the Senate. Additionally, two subordinate officers, one in charge of youth operations and one in charge of adult operations, are subject to Senate confirmation. GRP 1 removes the authority of the Senate to confirm the wardens of institutions and makes various changes in current law.

PART I. FINDINGS AND POLICY CONSIDERATIONS

1. The Administration submits that this plan is “aimed at establishing a basis from which to deliver significant performance improvement.”

The Governor’s Reorganization Plan for reforming the Youth and Adult Correctional Agency, submitted to the Little Hoover Commission, stated in part:

From the 1940s through the 1970s, California was the model of an efficient correctional system. Over the last 25 years the size and needs of the system have grown but the organizational model has remained the same. Since 1980, the number of inmates has increased 554 percent and the number of adult correctional institutions has nearly tripled from 12 to 32. Today, California has the second largest state adult correctional system in the United States with 164,000 inmates (Texas has 167,000 inmates). The state also detains 3,500 wards and monitors 114,000 adult and juvenile parolees, resulting in a total of more than 300,000 cases across the system. Yet the State still operates a system in which heads of individual correctional institutions has almost complete control over operations. This might have made sense for a small system with a few prisons, but today it is essential to have a unified management structure that improves accountability, eliminates duplication, generates leverage and shares best practices across the entire organization.

...

[This reorganization plan] is aimed at establishing a basis from which to deliver significant performance improvement. The reorganization has two central elements.

First, the Secretary for the newly established Department of Corrections and Rehabilitation will have authority over all activities in the Department. Line managers will continue to have day-to-day authority over operations within their areas, but will be accountable to the Secretary for their performance.

Second, common functions will be shared and consolidated in the Office of the Secretary. These functions will include research and planning, risk management, information technology, human resource training and development, internal affairs, labor relations, facilities management, finance and procurement.

Restructuring will establish clear lines of reporting, accountability and responsibility and performance assessment that will improve services, reduce the likelihood of repeat offenses and eliminate abuses within the current system. It will centralize services and activities to remove duplication and leverage the scale of the department's \$6 billion spending authority, thus reducing the cost of operations. The reorganization will deliver a safer society at less cost to the people of California.¹

Policy Considerations

- a) If one of the stated goals of the reorganization plan is to improve performance, by what performance measures should the department be judged?
- b) Should the performance measures evaluate fiscal efficiency, the reduction or increase in recidivism, public safety concerns, or a combination of these factors?
- c) Does a baseline of current performance need to be established before improvement can be measured?
- d) Will performance standards be based on nationally recognized performance measures, or has the department developed their own guidelines for assessment?
- e) How will the public and Legislature know if the performance measures are reasonable and achievable?
- f) Should an entity outside the department be responsible for establishing performance measures and ascertaining whether they have been met?

2. This plan will become law on May 5, 2005 unless either the Senate, the Assembly or both, reject it no later than May 4, 2005.

Current statute provides a process by which the Governor may reorganize state government "more speedily and effectively . . . than by the enactment of specific legislation." (Government Code § 12080.1) Current law prescribes the scope and limits of reorganization plans, and sets forth the requirements for legislative review and approval of plans. (Government Code § 12080 *et seq.*)

¹ Governor's Reorganization Plan, *Reforming California's Youth & Adult Correctional Agency*, submitted by the Governor to the Little Hoover Commission on January 6, 2005.

Reorganization plans submitted according to these provisions “become effective the first day after 60 calendar days of continuous session of the Legislature after the date on which the plan is transmitted to each house or at a later date as may be provided by the plan, unless, prior to the end of the 60-calendar-day period, either house of the Legislature adopts by a majority vote of the duly elected and qualified members thereof a resolution,” rejecting the reorganization, as specified. (Government Code § 12080.5)

GRP 1 was submitted to the Legislature on February 22, 2005; therefore, it will become law on May 5, 2005 unless either the Senate, the Assembly, or both, reject it by a majority vote no later than May 4, 2005. By its own terms, the new organizations and structure created by the plan will become operative on July 1, 2005.

The plan currently before the Legislature reflects statutory changes required for the proposed reorganization. GRP 1 does not, however, reflect the entire reorganization proposal submitted to the Little Hoover Commission or representations made by the Administration with respect to all it contemplates to be part of the Corrections reorganization. The Administration submits that GRP 1 reflects only those changes which must be accomplished by changing existing statutory law. As an example, Chart 1 (see Appendix) provided by the Administration depicting the proposed reorganization is not completely reflected in the provisions of GRP 1. The discrepancy between this chart and other Administration documents describing the full reorganization reflect the fact that not all elements of state organization are created, or are required to be created, in statute.

Policy Considerations

- a) Given the lack of detail in the plan submitted to the Legislature and the Little Hoover Commission, is it sensible to pass the GRP or allow it to become law without action by the Legislature?
- b) Should this plan be allowed to become law without specific information detailing the transition from the current structure to the proposed structure?
- c) Should the Legislature accept this plan without an accompanying fiscal plan that outlines the Agency’s current fiscal organization, the transition plan, and the fiscal model of the new department?
- d) What amount of short-term budget flexibility will the department potentially require to accomplish the transition?
- e) Would this reorganization be better addressed at a later time when detailed information is available?

3. This plan would consolidate power and authority into the Secretary of the new “Department of Corrections and Rehabilitation.”

The Governor’s Reorganization Plan for Corrections is deliberately designed to vest virtually all executive authority for youth and adult corrections at the state level in the Agency secretary. As explained in the Governor’s Reorganization Plan submitted to the Little Hoover Commission:

Under the current system, the Secretary reports to the Governor, but he does not have the actual power to change the operations of the Department of Corrections and the California Youth Authority that administer the correctional institutions. As a result, the Governor cannot truly hold the Secretary accountable for the performance of the correctional system or enact major reforms in the way prisons are administered. Nor can the Secretary dismiss a warden of an institution. Currently, the system’s 32 wardens and eight superintendents do not report directly into the Secretary. Each warden employs different standards and different operating procedures. This decentralized framework, along with Senate confirmation of wardens, has helped create a system of operational silos with little accountability or sharing of best practices outside the facility walls.

...

This lack of accountability and responsibility from the Secretary across the organization has also exacerbated failures in line management and officer roles.

...

As a result of the reorganization, the Youth and Adult Correctional Agency will become the new Department of Corrections and Rehabilitation. The new department will have a flatter organizational structure and a clearly defined command structure to ensure that the top layer of management has a direct reporting relationship with every aspect of the organization’s performance. This change is essential to integrate productivity improvements and best practices into line operations. Consolidation and centralization at the level of the Secretary will leverage scale, reduce duplication and ultimately reduce the cost of operations.²

² Governor’s Reorganization Plan, *Reforming California’s Youth & Adult Correctional Agency*, submitted to the Little Hoover Commission on January 6, 2005.

Policy Considerations

- a) Can one department secretary effectively manage and oversee the day-to-day operations of an organization as large as all of the components of the Youth and Adult Correctional Agency?
- b) Will this plan lead to greater accountability, or will duties and responsibilities vested in the Secretary under this plan necessarily have to be delegated to lower-level administrators who, unlike under the existing organizational structure, will be subject to neither gubernatorial appointment nor Senate confirmation?
- c) Will the consolidation of power in the department secretary lead to improved performance of California's correctional system?
- d) By what performance measures should the Secretary be judged and by whom?

4. GRP 1 would eliminate Senate confirmation of prison wardens, which currently provides a level of independent oversight and accountability of California's individual correctional institutions.

Current law provides that prison wardens are appointed by the Governor and confirmed by the Senate. (Penal Code § 6050) Senate confirmation of wardens has been required under the Penal Code at least since 1944, when confirmation was included in the same measure that created the Department of Corrections (Chapter 2 of the 3rd Extraordinary Session of 1944). Chart 2 in the Appendix highlights all of the positions confirmed by the Senate under current law.

This plan proposes to eliminate the Senate confirmation of wardens. The Little Hoover Commission's report on the plan states that the "Administration explained that the scope of responsibility and authority exercised by wardens would be significantly reduced, thereby eliminating the need for legislative consent."³ The Administration has argued that a decentralized framework wherein wardens do not report directly to the Secretary, "along with Senate confirmation of wardens, has helped create a system of operational silos with little accountability or sharing of best practices outside the facility walls."⁴ Chart 3 highlights all of the positions confirmed by the Senate under the proposed plan.

Currently, 32 wardens for the Department of Corrections are confirmed by the Senate. Since 1999, 47 wardens have been named by the Governor; 5 have resigned before confirmation; 2 have been withdrawn by the administration; one has been reclassified in circumstances unrelated to confirmation; and the remaining 39 have been confirmed by the Senate.

³ *Id.* at page 21.

⁴ *Id.* at page 30.

Policy Considerations

- a) Does the Senate's authority to confirm wardens provide meaningful independent oversight on behalf of the public into the daily operations and conditions of individual prisons – as opposed to the prison system as a whole – which otherwise would not occur?
- b) Would the elimination of Senate confirmation of wardens diminish the access of the public and Legislature to oversee and comment on the operations of California's prisons?
- c) Does the Senate's authority to confirm wardens sufficiently contribute to making prisons and the state employees who run them more accountable?
- d) Would the Executive Branch's accountability for the operations and conditions of individual prisons within California's prison system diminish without Senate confirmation of wardens?
- e) What alternative mechanisms of oversight are available through this plan or otherwise to observe, monitor and respond to conditions and operations within individual prisons?

5. GRP 1 would eliminate the Department of the Youth Authority and place its functions under a chief deputy secretary also responsible for adult operations and parole operations.

This plan would eliminate the Department of the Youth Authority and instead create a "Division of Youth Operations" under a chief deputy secretary of the Department of Corrections and Rehabilitation. This chief deputy also would be responsible for the Divisions of Adult Operations and Parole Operations.

In addition, this plan would consolidate the operations of the Board of Corrections, which currently administers a number of state and federal juvenile justice grants and is responsible for standards and inspections for local juvenile detention facilities and jails,⁵ and CPOST, which is responsible for standards and training for state correctional peace officers, into one entity, the "Corrections Standard Authority."

⁵ The Board of Corrections website explains: "The (Board) administers grants, develops programs, conducts research and evaluations, and distributes federal and state grants that provide for the construction of local juvenile and adult detention facilities; reduces the threat of juvenile crime and delinquency (Juvenile Crime Enforcement and Accountability Challenge Grant Program); and focuses on repeat and high-risk offenders (Repeat Offender Prevention Program). (The Board) also assists counties (through the Juvenile Justice Crime Prevention Act Program) in developing and implementing comprehensive multiagency juvenile justice plans that include programs for at-risk youth that focus on crime prevention, intervention, suppression, and incapacitation. (The Board) fosters collaborative and integrative approaches in partnership with state and local governments, as well as the private sector and private/nonprofit service providers, working together to achieve continued improvement in the conditions of California's delivery of programs to juveniles and adults."

How juvenile justice should be organized in state and local government has long been an issue of concern and discussion among policymakers and stakeholders. In its analysis of the 1997-98 Budget Bill, the Legislative Analyst's Office characterized California's system of juvenile justice as follows:

California's juvenile justice system is actually a multitude of systems, programs, and organizations that are designed to serve both the needs of juvenile offenders and protect public safety. Although called a system, it is not always coordinated or interrelated, mainly because so many different groups and organizations have overlapping and sometimes differing responsibilities for dealing with juvenile offenders. . . .

In its review of this plan, the Little Hoover Commission recommended in part:

The Governor, in his proposed 2005-06 Budget, asserts that in the next several months the Administration will continue to work with juvenile justice stakeholders to develop a comprehensive plan to reform California's juvenile justice system and redefine the role of the CYA. Potential policy changes being considered include: shifting responsibility for supervising youth parolees to the counties; incentives for counties to limit the type of offenders they send to the State to permit the State to focus on the most serious offenders; and, evaluating state facility needs. The secretary should continue to work with stakeholders to address these and other issues, including:

- ✓ The need for a statewide strategy for juvenile justice.
- ✓ The appropriate roles of the State and California counties in providing juvenile justice services, including whether state juvenile justice functions should be administered by the proposed state corrections department, a health and human services department, a stand alone juvenile justice agency or by counties.
- ✓ The need for a continuum of facilities for youth wards and a stable source of funding for counties.
- ✓ A mechanism to ensure that juvenile justice services are comprehensive, evidence-based and well managed.

These efforts should resume immediately and be pursued aggressively. The secretary should make recommendations to the Governor and Legislature about how the State's juvenile justice system should be organized to improve outcomes.⁶

⁶ *Id.*

These remarks are consistent with earlier reports and recommendations addressing California's approach to juvenile justice. In its September 1996 report, the California Task Force to Review Juvenile Crime and the Juvenile Justice Response recommended "that California designate a state level entity to provide leadership for the oversight, planning, development, and coordination of comprehensive juvenile justice policy development and program delivery. This should be accomplished through the identification of a new single state agency or the combining of existing juvenile justice functions into an existing state agency." The Task Force noted:

The juvenile justice problems described throughout this report -- including fragmentation, jurisdiction issues, resource shortages, and a lack of focus on prevention -- are unlikely to be resolved without centralized state leadership and improved coordination of state and local juvenile justice functions. At the state level, responsibility for juvenile justice operations is divided among multiple agencies including the California Youth Authority, the Office of Criminal Justice Planning, the Youthful Offender Parole Board, and the Board of Corrections. Better state-level coordination is needed so these agencies can work effectively together (and with adult correctional agencies) toward prevention, intervention, and public safety goals, so they can also meet new demands for facilities and services imposed by a fast-growing youth population. Moreover, there is a need to streamline and strengthen the state relationship with local juvenile justice entities -- including probation departments, juvenile courts, law enforcement agencies, and community services organizations. . . .

To provide the necessary leadership and coordination, the Task Force recommends that a single state agency be identified to consolidate oversight and coordination of fragmented juvenile justice operations. The agency would take a strong leadership role in the determination of policy and budget priorities for juvenile crime control and for the overall organization of the juvenile justice system in California. It would also serve as a clearinghouse for information on model juvenile justice programs and approaches. It could be vested with the direct authority to distribute funds, on a pilot or statewide basis, for the development of juvenile justice programs, procedures, and facilities meeting future statewide needs. It would also house a separate office of youth violence prevention...

Policy Considerations

- a) Does the reorganization of juvenile justice functions proposed by this plan address the fragmentation issues described above?

- b) Would this plan, instead, exacerbate the fragmentation of California's juvenile justice system?
- c) Is this plan responsive to the needs and requirements of local juvenile justice efforts, which currently handle over 98 percent of all juvenile offenders in California?
- d) Will the needs of youthful offenders be overshadowed by those of adult offenders under this plan?

6. This plan would combine the functions of adult and juvenile paroling entities into one consolidated board, and make additional substantive changes in related law.

This plan would consolidate the functions of the Board of Prison Terms (BPT), the Youth Authority Board (YAB) and the Narcotic Addictions Evaluation Authority (NAEA) into a single entity, the "Board of Parole Hearings." In addition, this plan would make various substantive changes to laws pertaining to inmate parole hearings. Chart 4 in the Appendix highlights the consolidation of existing entities into the Board of Parole Hearings.

The BPT is the paroling authority for inmates committed to the California Department of Corrections for life with the possibility of parole. This plan makes the following substantive changes to the BPT which technically are not integral to reorganization or the consolidation of the above-enumerated boards:

- Provides for an executive officer, appointed by the Governor and not subject to Senate confirmation, to be the administrative head of the board, rather than the chair of the board, who, under current law, is confirmed by the Senate.
- Deletes from statute the requirement that the board "shall reflect as nearly as possible a cross section of the racial, sexual, economic, and geographic features of the population of the state".
- Authorizes the board to transact business in panels of two or more, rather than "at least three" persons.
- Deletes the language in current law requiring regular reports to the Legislature concerning the backlog of inmates awaiting a parole consideration hearing, as specified.
- Re-defines *en banc* hearing to mean a hearing conducted by a committee of commissioners selected by the chairperson, as specified.
- Changes the board composition reviewing a case at the request of the Governor from the full board, sitting *en banc*, to a committee selected by the chair and comprised of a majority of the commissioners holding office.

- Changes the vote required on such reviews from a majority of the current board members to a majority of the commissioners on the committee selected by the chair, as specified.
- Changes the time period within which the Governor has the power to request review of a parole board decision concerning the grant or denial of parole to a prisoner, from “up to 90 days prior to a scheduled release date,” to authorizing the review request “during the 90 days following that final decision, or at least 90 days before a scheduled parole release date, whichever is later . . . ”

In addition to these substantive changes, this plan would also provide different standards and training requirements for commissioners who hear juvenile matters and those who do not. Current law sets forth specified requirements for Youth Authority Board members with respect to background and post-appointment training. Similar requirements on BPT or NAEA members are not contained in current law. This plan would not revise these requirements to ensure they apply equally to all commissioners.

Policy Considerations

- a) Should the diversity language in current law, and struck by this plan, be restored?
- b) Do two-member panels diminish the quality and fairness of parole hearings? Should this language be revised to reflect legislative intent that panels be comprised of three or more members when the backlog of inmates awaiting parole hearings has been addressed?
- c) Does the backlog reporting language in current law provide accountability with respect to diminishing the backlog of inmates awaiting parole hearings? Should this language, which would be deleted by this plan, be restored?
- d) Should the definition of “en banc” hearings in this plan be revised to require a random selection of trained commissioners, rather than merely commissioners selected by the board chair?
- e) Should commissioners hear both juvenile and adult cases? Or, do the differences between youthful and adult offenders and their respective correctional programming require that a “firewall” be constructed to ensure that these two categories of commissioners do not mix caseloads?
- f) Should juvenile and adult parole hearing boards be combined? How will juvenile parole hearing officers maintain familiarity with the

programming, and program availability, which is critical to evaluating ward readiness for parole?

- g) Should the background and training requirements for commissioners hearing juvenile matters be replicated for commissioners hearing adult matters, with appropriate revisions appropriate for adult offenders?

7. This plan would consolidate of the Board of Corrections and CPOST.

This plan would consolidate the functions of the Board of Corrections and the Commission on Correctional Peace Officer Standards and Training (CPOST). Chart 5 in the Appendix highlights the consolidation of the Board of Corrections and CPOST with the Corrections Standards Authority. The purposes of these two entities, under current law, are unrelated except that they both fall under the general category of criminal justice. The purpose of the Board of Corrections as mandated by law includes:

- Ensuring the establishment and continual re-evaluation of minimum standards for local juvenile and adult detention facilities, conducting "problem solving" inspections of all local detention facilities biennially, and reporting to the Legislature on the results of those inspections.
- Reviewing the architectural plans for construction and remodeling of all local detention facilities.
- Establishing recruitment, selection, and training standards for all local corrections personnel working in jails, juvenile detention facilities, or probation departments.
- Administering federal and state detention facility capital construction monies for the construction or renovation of local detention facilities.
- Administering state-funded local corrections at-risk and offender pilot, demonstration, and continuum of care programs.
- Conducting studies in crime and penology and creating, upon its own initiative or upon the request of the Governor, special commissions to assist the Board in the study of crime.⁷

CPOST, in contrast, "is responsible for developing, approving and monitoring selection and training standards for California's correctional peace officer apprentices, as well as the training standards for advanced rank-and-file and supervisory state correctional peace officers. In addition, CPOST oversees the administration of the California Department of Corrections' (CDC) and California Department of the Youth Authority's (CYA)

⁷ Board of Corrections website (http://www.bdcorr.ca.gov/about_boc/htm_docs/boc_purpose.htm).

correctional peace officer apprenticeship programs, and develops programs to encourage career-long education.”⁸

This plan merges these two entities into one 17-member board known as the “Corrections Standards Authority” (CSA). The following chart shows some of the major features and distinctions of this consolidation with respect to board composition:

| Entity | Size | Administration Representation | Governor Appointments | Senate Confirmation | Term | State/local ratio | Mgt./rank & file ratio |
|--|------|-------------------------------|-----------------------|---------------------|----------|-------------------|---------------------------|
| Board of Corrections | 15 | 3 members | 12 members | YES | 3 years | 20% -80% | 67% - 13.3 % (20% public) |
| CPOST | 6 | 3 members | 3 members | NO | 4 years | N/A | 50% - 50% |
| New Corrections Standards Authority | 17 | 5 members | 12 members | YES | Pleasure | 35% - 65% | 71% - 12% (17% public) |

Policy Considerations

- a) Do the two functions of these entities combine sensibly?
- b) What efficiencies can be achieved?
- c) Does the 15 percent increase in state representation on the new CSA compared to the Board of Corrections (BOC) make sense in light of the strong relationship between the BOC and local law enforcement, both in terms of function and effectiveness? Should local representation on the new entity be enhanced?
- d) Do the increases in management representation (20 percent compared to CPOST, and 4 percent compared to BOC) make sense in light of the correctional peace officer training and standards functions of the new board? Should rank and file representation on the new entity be enhanced?
- e) Should the term for this new entity be pleasure terms instead of the fixed terms of office now applicable to BOC and CPOST members? Would pleasure terms diminish the opportunity to publicly review the performance of the new entity through the Senate confirmation process?

⁸ CPOST website (<http://www.cpost.ca.gov/>).

8. The proposed reorganization does not adequately address the health care emergency in California's correctional facilities.

In *Plata v. Davis*, a class action lawsuit, inmates alleged that California officials inflicted cruel and unusual punishment by being deliberately indifferent to serious medical needs. A settlement agreement filed in 2002 requires the California Department of Corrections to completely overhaul its medical care policies and procedures, and to promise significant resources into prisons to ensure timely access to adequate care. The settlement allows the state to phase in the new policies and procedures over several years and gives an independent medical panel the responsibility to audit the state's progress.

According to materials submitted to the Little Hoover Commission, the administration envisions a Division of Correctional Health Care Services under a chief deputy secretary who also would oversee community partnerships and education, vocational and offender programs.

Policy Considerations

- a) Does this reorganization adequately marshal organizational tools and resources to effectively address the health care problems in California's correctional facilities?
- b) Are there better organizational models to ensure that health care issues and problems are effectively monitored and addressed?
- c) Could one chief deputy secretary practicably have the experience, background and time to adequately oversee health programs effectively?
- d) Given the limited resources of the department and the historical difficulty the department has had in recruiting and retaining highly qualified medical staff, what is the likelihood of finding a suitable candidate that is able to perform the expected health care policy development and implementation?

PART II. COMMITTEE RECOMMENDATIONS

GRP 1 represents this Administration's first step toward reforming California's correctional system. The success of any process that seeks to reduce recidivism always relies on an inmate's desire to be reformed as well as a correctional system that supports inmate rehabilitation. Any reorganization of the correctional system needs to reflect that the goal of protecting public safety is the highest priority. Public safety should never be sacrificed or compromised for the sake of achieving fiscal efficiency. Further, it is important to remember that there are victims of crime and survivors that will be affected by the policies and changes this reorganization will make. The long-term goals of this department will always need to include California's responsibility to victims and survivors in any ideas of rehabilitation and never diminish their needs and rights.

This plan, while deficient in several areas, attempts to link rehabilitation with corrections while addressing the chronic structural problems that negatively impact the Youth and Adult Correctional Agency. The following recommendations represent a bi-partisan effort to increase public safety and bring California's correctional system into the 21st century.

1. The Governor's proposed reorganization plan should be allowed to become law if the plan is modified by legislation that makes various changes; specifically, the changes contained in SB 737 (Romero, 2005).

Although the Governor has the option of withdrawing GRP 1 from the Legislature, to make any significant changes to the plan, he would have to submit a new reorganization plan to the Little Hoover Commission for review before introducing a new GRP to the Legislature. This course of action would mean pushing back the implementation of a reorganization plan to a much later date. This course of action would also have a negative impact on the goals and timelines stated in the Youth and Correctional Agency Strategic Plan and would thus require the Agency to assign new target dates in the Strategic Plan.

In addition to SB 737, the Legislature will need to critically examine the new Department of Corrections and Rehabilitation after the department's performance measures are determined and the reorganization plan has been fully implemented. The Legislature will also need to closely monitor the functions and costs of the reorganization through the budget process. It will also likely be necessary to adopt a budget trailer bill to facilitate the implementation of the reorganization while retaining the appropriate budgetary oversight.

It is likely that any infrastructure that supports a rehabilitation mission will require significant future resources. Potential significant long-term savings are only likely to occur if the GRP is successful in placing more emphasis and resources toward inmate

rehabilitation that actually results in reduced recidivism as a means of increasing public safety.

2. SB 737 addresses many of the concerns and recommendations made by the Little Hoover Commission, the Legislative Analyst's Office, Legislators and advocates and should be adopted.

Many issues of concern have arisen from the Little Hoover Commission, the Legislative Analyst's Office, and from testimony taken from the public on the proposed plan. Not every concern raised or recommendation made with regard to this plan could be addressed in a single piece of legislation. Some recommendations contradict others; some recommendations are not appropriate to reorganization and might be better addressed through separate legislation or the regulatory process. With that in mind, this committee recommends the following specific modifications to GRP 1 be provided for in SB 737:

1. All gubernatorial appointees who are responsible for developing and overseeing identified functional and/or mission-based areas of adult and juvenile functions should be confirmed by the Senate. Under GRP 1, only the Secretary, the Director of Adult Operations, the Director of Youth Operations, the 17 members of the Board of Parole Hearings, and the 12 members of the Corrections Standards Authority are subject to Senate Confirmation. SB 737 contains the following additional confirmed positions (See Chart 6 of the Appendix):
 - Undersecretary
 - Chief Deputy Secretary, Adult Operations
 - Chief Deputy Secretary, Adult Programs
 - Chief, Division of Adult Operations
 - Chief, Division of Adult Parole Operations
 - Chief, Division of Community Partnerships
 - Chief, Division of Education, Vocational and Offender Programs
 - Chief, Division of Correctional Health Care Services
 - Five subordinate officers, appointed to oversee one of the following areas in adult institutions: reception centers and community correctional facilities; high security/transitional programs; Levels 3 and 4; Levels 1 and 2 general population and camps; and female offender programs.
 - General Manager, Prison Industry Authority
 - Executive Officer, Board of Parole Hearings
2. The extreme health care crisis in California's correctional institutions constitutes an emergency and a fiscal liability. As part of this reorganization, an Assistant Secretary for Health Care should be created in the new Department, to be appointed by the Governor and confirmed by the Senate.

3. Given the importance of ensuring victims and survivors receive the attention and consideration due them, we recommend establishing an Assistant Secretary for Victim and Survivor Rights and Services position in statute in order to ensure that the rights of victims do not take a back seat to those of criminals. To further emphasize our ongoing commitment to victims, survivors and their rights, the Corrections Standards Authority should require that at least one of the gubernatorial appointments of a public member represent victims and survivors.
4. One of the purposes of the GRP is to place rehabilitation and public safety on a more equal footing. The safety of the public and staff are always of paramount concern. This reorganization should be modified to create an Assistant Secretary for Correctional Safety. The position should be responsible for researching and investigating other correctional or penological advances, innovations, ideas, concepts, from any source, to ensure that the safety of the staff and public are not diminished, remain of primary importance, and are enhanced and improved as necessary. This should include working with local, federal, and private sector correctional or law enforcement organizations collaboratively for the benefit of public safety.
5. The fragmentation that has long characterized California's juvenile justice system should be addressed in this reorganization. Towards this end, SB 737 revises the reorganization to:
 - Create the following additional gubernatorial appointments within the new Department, subject to Senate confirmation: Chief Deputy Secretary, Juvenile Justice; Chief, Division of Juvenile Facilities (replacing the proposed "Division of Youth Operations" in GRP 1); Chief, Division of Youth Parole; and Chief, Division of Youth Programs.
 - Enact a "firewall" to maintain the existing number of parole hearing officers dedicated to hearing youthful offender cases, and ensure that these parole commissioners hear only juvenile cases, and that adult parole hearing commissioners hear only adult cases.
 - Provide for the transfer of juvenile parole commissioners to the jurisdiction of the Chief Deputy Secretary for Juvenile Justice at some point in the future to further consolidate juvenile justice functions of the state.
 - Create a state Commission on Juvenile Justice, comprised primarily of local stakeholders appointed by the Governor and confirmed by the Senate, to advise the Secretary and the Deputy Secretary for Juvenile Justice to provide comprehensive oversight, planning, and coordination of efforts leading to the improvement of juvenile justice among state and local agencies.
6. In the absence of Senate confirmation of wardens, warden appointees need to be fully vetted to ensure the appointment of highly qualified persons with

- unimpeachable experience and background. The gubernatorial appointment of wardens should follow a statutory procedure modeled after the “Judicial Nominees Evaluation” Commission process through the Inspector General. The Inspector General should issue a report and a recommendation, both of which would be required to be made public if an appointment by the Governor is made that is contrary to the Inspector General’s recommendation.
7. To address the need for public accountability of the conditions and performance of California’s correctional facilities, the Inspector General should be required to audit institutions at least every four years, and wardens one year after their appointment. These reports should be furnished to the Legislature and made available to the public.
 8. The following modifications contained in SB 737 should be made to the statutory changes proposed by GRP 1 concerning the Board of Prison Terms:
 - Restore language in current law ensuring the diversity of the parole board and proposed to be deleted by GRP 1.
 - Adult parole panels should require random selection.
 - Require that adult hearing officers receive appropriate training specific to adult offenders in a manner consistent with training currently received by juvenile parole hearing officers.
 - Restore language requiring the board to report on the backlog of inmates awaiting parole hearings.
 - State legislative intent that parole hearings be conducted by panels of three or more members when there is no backlog of inmates awaiting parole hearings.
 - Clarify the language in GRP 1 extending the Governor’s parole review beyond a scheduled release date.
 9. As proposed by GRP 1, the composition of the new Corrections Standards Authority reduces the ratios of both local and rank and file representation. SB 737 corrects this by adding additional rank and file representation from the local correctional community.
 10. As proposed by GRP 1, appointees to the Corrections Standards Authority would serve pleasure terms. This should be revised to provide three-year terms, which would be the same as Board of Parole Hearing terms.
 11. The intent of the GRP seems desirous of a balance between corrections and rehabilitation. Therefore, it is recommended that language in SB 737 restate that the purpose of the newly reorganized body remains protecting public safety and is

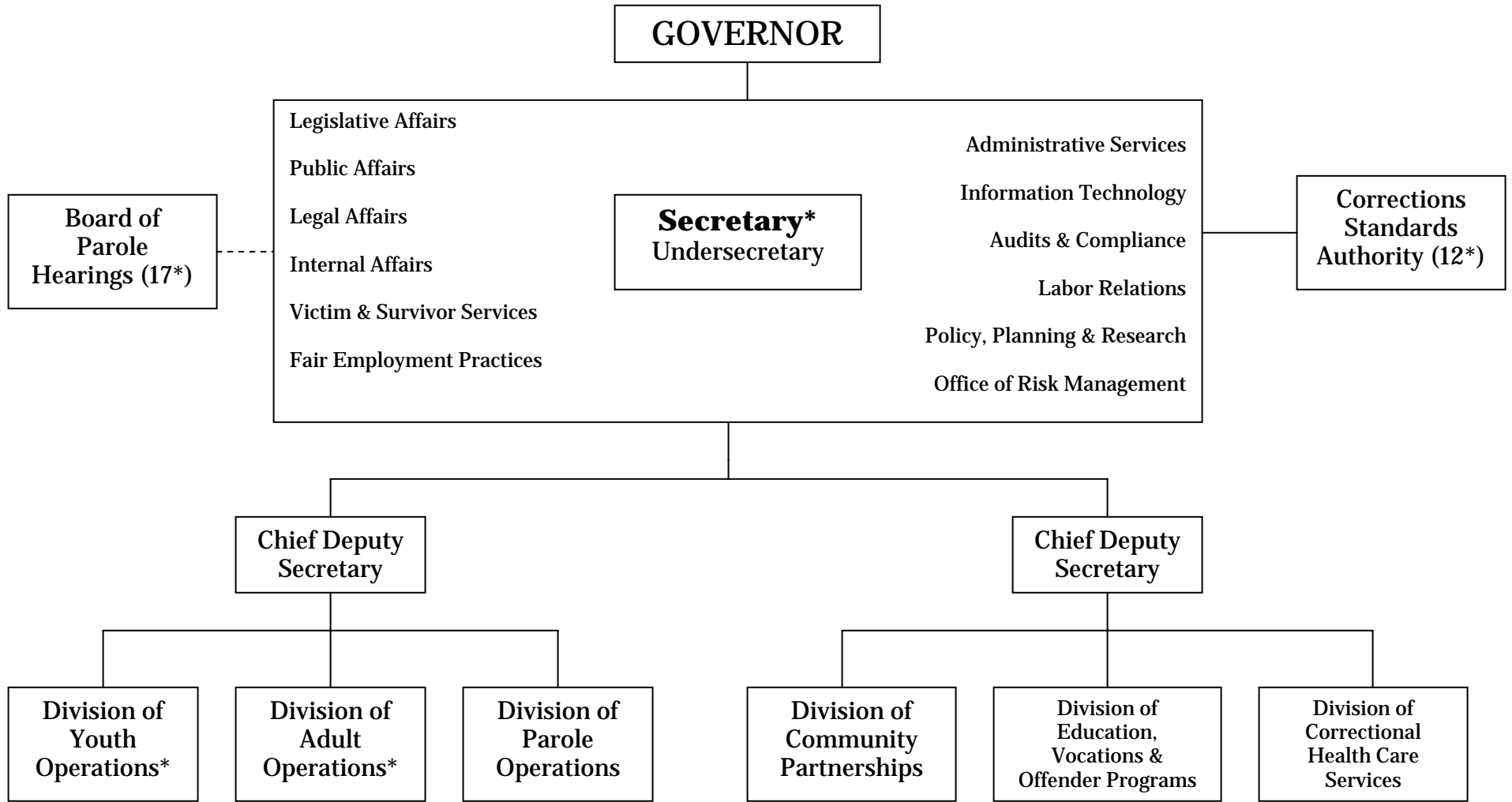
consistent with the legislative findings and declarations set forth in Penal Code Section 1170.

12. While the GRP does not directly provide for more rehabilitation counselors or programs, legislative intent language should be part of SB 737 to specify that the reorganization not be construed as a mandate to provide such programs or as any sort of entitlement.
13. It is assumed that the GRP contemplates the future expansion of correctional rehabilitation programs. Therefore, SB 737 should include language expressing the intent that any new programs would be subject to evidence-based evaluations, especially those focused on rehabilitation. Additionally, language should be included stating that nothing in the GRP shall compromise public safety or cause public safety to become subordinate to economic or other interests.

In conclusion, we note the likelihood that an infrastructure that supports a rehabilitation mission will require significant resources. Potential significant long-term savings are only likely to occur if the reorganization is successful in placing more emphasis and resources toward inmate rehabilitation that actually results in reduced recidivism as a means of increasing public safety. The administration has committed that all current and future programs will be assessed for their value based on evidence of successful rehabilitation and a reduction of recidivism. Until the Legislature is clear on the impact of this reorganization, these will be ongoing concerns that should be included and addressed in all future reports and analyses of the GRP and the subsequent changes as provided for by SB 737.

APPENDICIES

Chart 1
Organization Model of the Department of Corrections & Rehabilitation
As Proposed by GRP 1



** confirmed*

Chart 2
61 POSITIONS
IN THE YOUTH & ADULT CORRECTIONAL AGENCY
CONFIRMED BY THE SENATE UNDER CURRENT LAW

YACA Secretary

Board of Corrections
 (chaired by YACA
 Sec'y.; includes
 directors of CDC &

CYA Director
 (also ex officio
 chair of YAB)

BPT
 Commissioner
 (chair and
 "admin. head")

CDC Director

member

member

YAB member

Commissioner

warden

warden

warden

warden

member

member

YAB member

Commissioner

warden

warden

warden

warden

member

member

YAB member

Commissioner

warden

warden

warden

warden

member

member

YAB member

Commissioner

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YAB member

Commissioner

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member

member

Commissioner

warden

warden

warden

warden

Commissioner

warden

warden

warden

warden

Commissioner

warden

warden

warden

warden

Chart 3
32 POSITIONS
CONFIRMED BY THE SENATE
UNDER THE GOVERNOR’S PROPOSED CORRECTIONS REORGANIZATION PLAN

Secretary of the
 Department of Corrections
 and Rehabilitation

Board of Parole
 Hearings
 (Executive Officer app’t
 by Gov.)

Subordinate Officer to
 the Secretary: CAO of
 Division of Adult
 Operations

Subordinate Officer to
 the Secretary: CAO of
 Division of Youth
 Operations

Corrections Standards
 Authority:
 Sec’y is chair
 4 Sec’y subordinates

commissioner commissioner

commissioner commissioner

commissioner commissioner

commissioner commissioner

commissioner commissioner

commissioner commissioner

commissioner commissioner

commissioner commissioner

commissioner

member member

member member

member member

member member

member member

member member

Chart 4

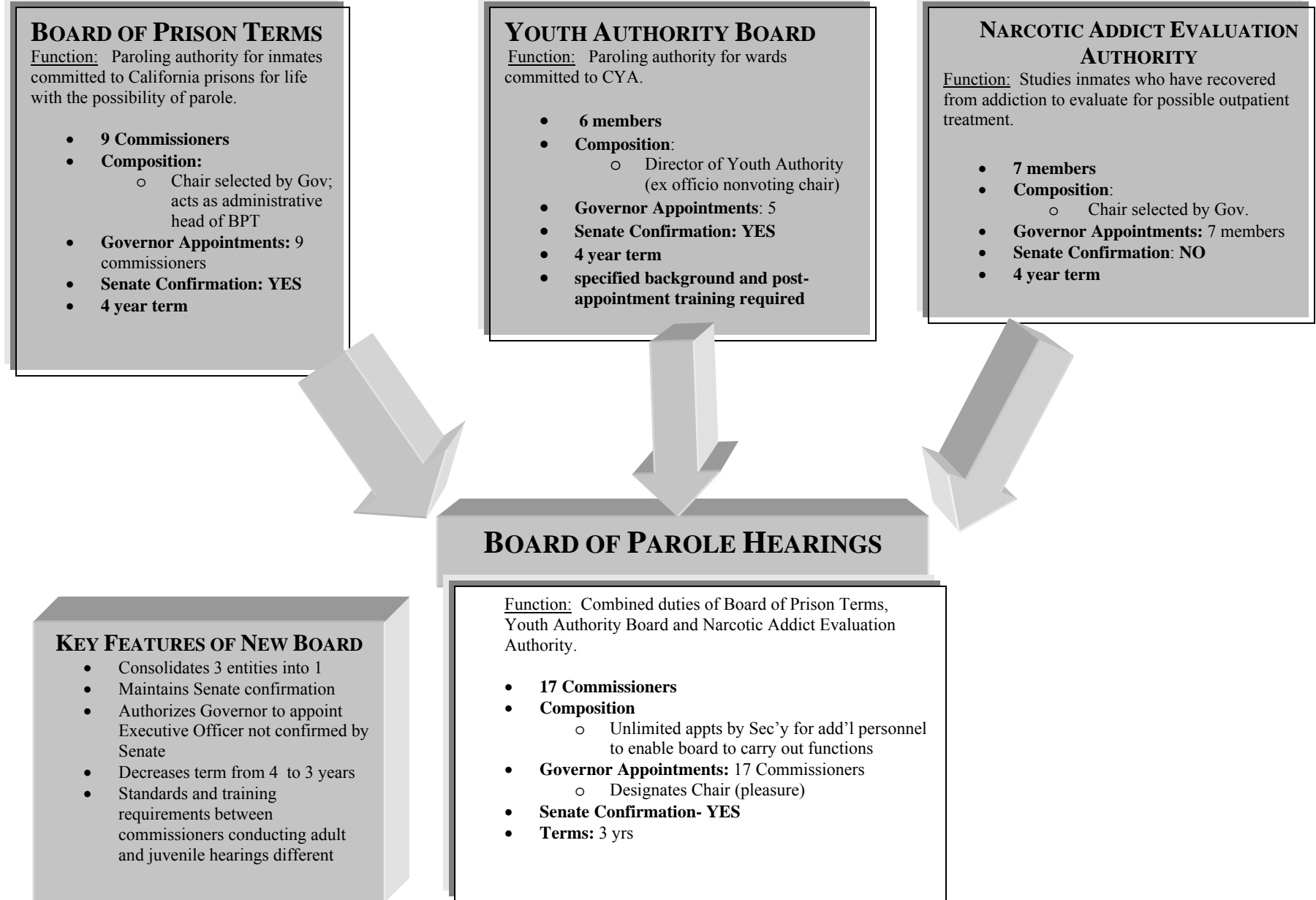


Chart 5

BOARD OF CORRECTIONS

- **15 members**
- **Composition:** (non-appointees)
 - Secretary of YACA
 - CDC Director
 - CYA Director
- **Governor Appointments:** 12 members
 - 1 county sheriff w/ ≤ 200 inmates in local detention facility
 - 1 county sheriff w/ ≥ 200 inmates in local detention facility
 - 1 county supervisor/county administrative officer
 - 1 chief probation officer w/ pop ≥ 200k
 - 1 chief probation officer w/ pop ≤ 200k
 - 1 manager/admin of county local detention facility
 - 1 admin of local community correctional program
 - 2 public members
 - 2 rank/file reps from local correctional facilities
 - 1 rep of community-based youth service org.
- **Senate Confirmation: YES**
- **3 year Term**
- State/Administration Representation: 20%; local: 80%
- Management Representation: 66.7%; Rank & File: 13.3%; Public: 20%

CORRECTIONAL PEACE OFFICER STANDARDS & TRAINING

- **6 member Executive Board**
- **Composition:** (non-appointees)
 - 2 CDC management
 - 1 CYA
- **Governor Appointments:** 3 members
 - 3 from CCPOA
 - 2=rank & file
 - 1=supervisory position
- **Senate Confirmation: NO**
- **4 year term**
- Management Representation on board=50%

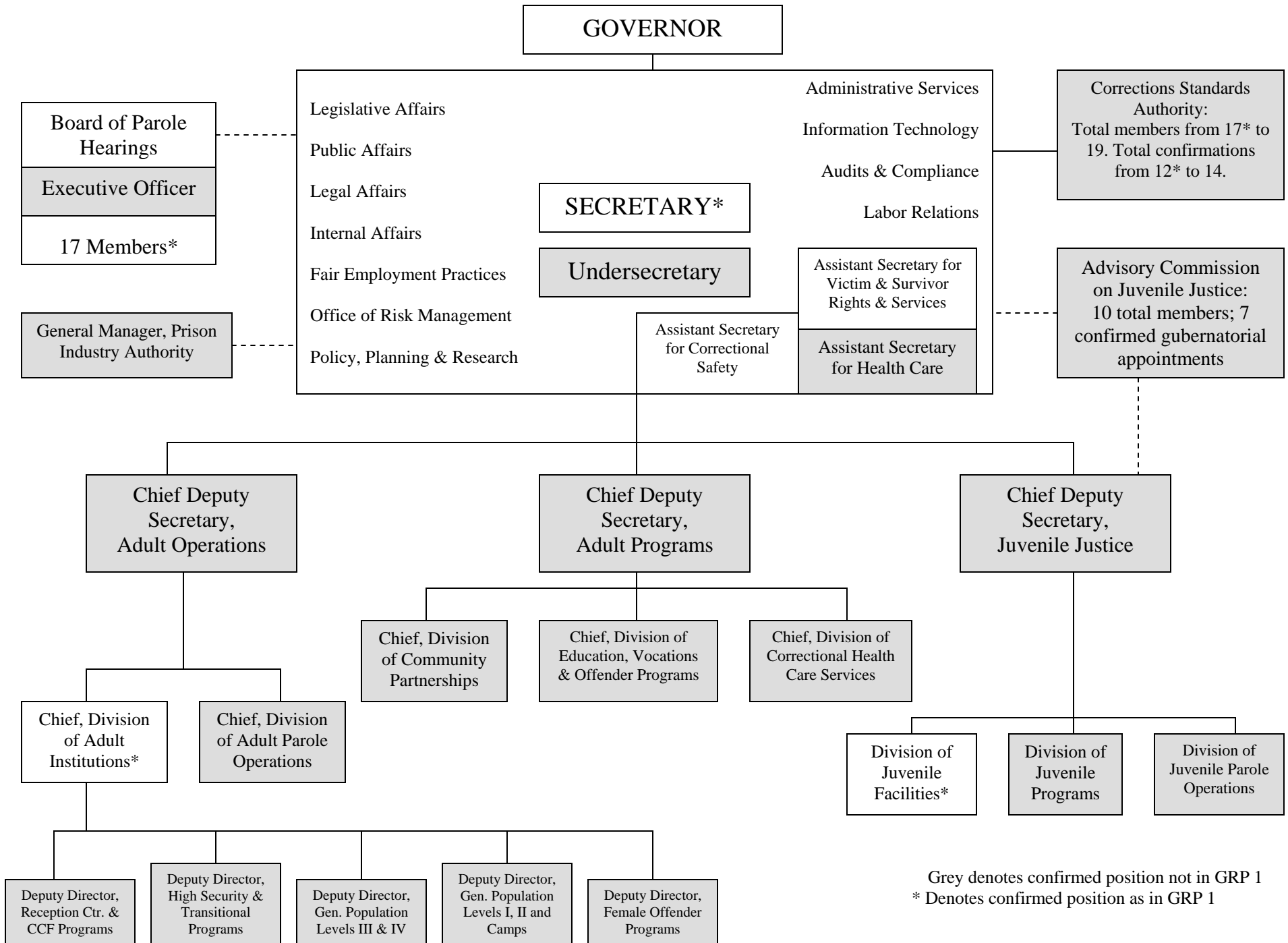
CORRECTIONS STANDARD AUTHORITY

- **17 members**
- **Composition:**
 - Secretary of CDC & Rehabilitation or designee (chair)
 - 4 subordinate officers to the Secretary
 - 1 manager/admin. of correctional facility for adult offenders
 - 1 manager/admin. of correctional facility for youth offenders
 - 2 unspecified subordinate officers to the Secretary
- **Governor Appointments:** 12 members
 - 1 county sheriff w/ ≤ 200 inmates in local detention facility
 - 1 county sheriff w/ ≥ 200 inmates in local detention facility
 - 1 county supervisor/county administrative officer
 - 1 chief probation officer w/ pop ≥ 200k
 - 1 chief probation officer w/ pop ≤ 200k
 - 1 manager/admin of county local detention facility
 - 1 admin of local community correctional program
 - 2 public members → 1 rep. for crime victims interests
 - 2 rank/file reps
 - 1 from local correctional facility or probation department
 - 1 from state correctional facility or parole division
 - 1 rep. of community-based youth service org.
- **Senate Confirmation- YES**
- **Pleasure**
- State/Administration Representation: 35.3%; local: 64.7%
- Management Representation: 70.6%; rank & file: 11.8%; public: 17.6%

KEY FEATURES & DISTINCTIONS

- Consolidates 2 entities into 1
- Increases state representation over local by 15.3% compared to BOC
- Increases management representation over BOC by 3.7%
- Increases management representation over rank/file compared to CPOST by 20.6%
- Changes Term Appointments to Pleasure
- Requires that 1 of 2 public reps shall be crime victim
- Reduces local rank/file representation by 50% by requiring that one slot be filled by rep. from a state correc. facility or parole division
- Reduces CCPOA representation from 3 to 1 rep. compared to CPOST
- Senate confirmation required

**Chart 6
Organizational Model of the Department of Corrections & Rehabilitation as Amended by SB 737**



Grey denotes confirmed position not in GRP 1
 * Denotes confirmed position as in GRP 1

SUBCOMMITTEE NO. 5

Agenda

Gloria Romero, Chair
John Campbell
Mike Machado



Thursday, April 21, 2005
Upon Adjournment of Session
Room 112

| <u>Item</u> | <u>Department</u> | <u>Page</u> |
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| 5440 | Board of Prison Terms | 6 |

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

5430 Board of Corrections

The Board of Corrections works in partnership with city and county officials to develop and maintain the standards for the construction and operation of local jails and juvenile detention facilities, as well as standards for the employment and training of local corrections and probation personnel. The board also disburses training funds, administers the allocation of funds to counties for the federal Violent Offender Incarceration/Truth-in-Sentencing Grant Program, the Juvenile Hall/Camp Restoration Program, the Mentally Ill Offender Crime Reduction Grant Program, and the Juvenile Crime Enforcement and Accountability Challenge Grant Project. In addition, the board regularly conducts special studies in penology and corrections.

The Board is composed of fifteen members, twelve appointed by the Governor and confirmed by the Senate, representing specific elements of local juvenile and adult criminal justice systems and the public. Statutory members are the Secretary of the Youth and Adult Correctional Agency, who acts as Chair of the Board, and the directors of the Departments of Corrections and Youth Authority. The Board meets bimonthly and all meetings are open to the public.

| Board of Corrections - Source of Funds | | | | | |
|---|------------------------|------------------|-----------------|-------------------|-----------------------|
| Program | (dollars in thousands) | | | | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | Change | |
| General Fund | \$21,019 | \$137,898 | \$29,552 | -\$108,346 | -78.6% |
| Corrections Training Fund | 2,241 | 2,496 | 2,468 | -28 | -1.1% |
| Federal Trust Fund | 149,109 | 41,435 | 40,719 | -716 | -1.7% |
| Reimbursements | 646 | 488 | 322 | -166 | -34.0% |
| Totals | \$173,015 | \$182,317 | \$73,079 | -\$109,238 | -59.9% |

Budget Overview. The budget for the Board of Corrections (BOC) proposes total expenditures of \$73.1 million, which is a decrease of \$109.2 million, or 59.9 percent from estimated current year expenditures. This decrease is due primarily to the proposed shift of funding for county youth probation programs from the General Fund to the federal Temporary Assistance for Needy Families (TANF) funds within the Department of Social Services. In the current-year, the budget provides \$134 million from the General Fund for this program. The General Fund portion of BOC's budget is proposed to decrease by \$108.3 million (78.6 percent) for a total of \$29.6 million. The federal fund portion of the proposed budget is \$40.7 million, a decrease of \$716,000 (1.7 percent) from estimated current-year expenditures.

The proposed funding for state operations is \$8.8 million, which is an increase of \$1.1 million (14 percent) from the current year. The number of authorized personnel would increase from 58.5 positions to 62 positions. The proposed local assistance budget is \$64.3 million, which is a decrease of \$110.3 million, or 63.2 percent, from estimated current-year expenditures.

The table on the next page shows the expenditures for the Board broken down by major program areas.

| Board of Corrections - Summary of Program Expenditures | | | | | |
|---|------------------------|------------------|-----------------|-------------------|-----------------------|
| Program | (dollars in thousands) | | | | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | Change | |
| Corrections Planning and Programs | \$144,095 | \$141,526 | \$30,586 | -110,940 | -78.4% |
| Facilities Standards and Operations | 2,208 | 1,854 | 1,444 | -410 | -22.1% |
| Standards and Training for Local Officers Administration | 2,496 | 2,751 | 2,748 | -3 | -0.1% |
| Distributed Administration | 255 | 352 | 352 | 0 | 0.0% |
| Juvenile Justice Grants Program | -255 | -352 | -352 | 0 | 0.0% |
| Unallocated Reduction | 24,215 | 36,185 | 36,484 | 299 | 0.8% |
| State-Mandated Local Programs | 0 | 0 | -42 | -42 | n/a |
| | 1 | 1 | 1,859 | 1,858 | n/a |
| Totals | \$173,015 | \$182,317 | \$73,079 | -\$109,238 | -59.9% |
| Authorized Positions | 59.1 | 58.5 | 62.0 | 3.5 | 6.0% |

ISSUES PROPOSED FOR CONSENT / VOTE-ONLY

1. State Mandated Local Program. The budget proposes \$1,858,000 in funding for the following state-mandated local program: Chapter 183, Statutes of 1992 – Domestic Violence Treatment Services. This mandate has been deferred in recent years.

2. Finance Letter – Suspended Mandate. This Finance Letter requests that Item 5430-295-0001 be amended to add a suspended mandate, Victims' Statements—Minors (Chapter 332, Statutes of 1981). This mandate and language was not included in the Governor's Budget because it was erroneously believed to have been repealed. This mandate has been suspended since at least 1998-99.

Staff Comments Regarding the Proposed Consent / Vote-Only Issues. No issues have been raised regarding these proposals.

Action.

DISCUSSION ISSUES**1. Juvenile Facilities – Assessment of Suitability.**

Budget Request. The budget proposes 1.9 positions and \$176,000 from the General Fund to administer the statutorily mandated assessment and determination of suitability of local juvenile facilities. Existing law requires the board to conduct biennial inspection of facilities used to house minors. If the BOC deems that the facility is not being operated and maintained as a suitable place for confinement, the BOC can order that the facility not be used for confinement of minors until its condition is remedied.

The statutory mandates contained in Sections 209 and 210 of the Welfare and Institutions Code require the BOC to:

- Make a preliminary determination of unsuitability for a juvenile facility that does not comply with one or more of the regulations found in Title 15 and 24, unless the non-compliance issue is directly related to the overpopulation of the facility where a totality of conditions indicate that the facility is otherwise suitable;
- Give notice of findings of unsuitability to all persons having authority to confine minors in this facility;
- Monitor the facility during the 60 days that the facility has to come into compliance with the regulations and re-inspect the facility, if necessary;
- Review the county's corrective action plan for facilities that have been declared unsuitable and provide a reasonable time, not to exceed 90 days, for the county to come into compliance; and
- Make a determination of unsuitability if the facility fails to file a corrective action plan. Or fails to meet its commitments outlined in their corrective action plan, at the BOC's next scheduled meeting (thereafter, the facility may not be used to confine minors).

Staff Comments. There are currently 60 juvenile halls in California that are covered by the statutes. BOC staff estimate, based on the 2000-02 and 2002-04 biennial inspection cycles, discussions with local juvenile facility administrators, and recent juvenile construction projects, that there will be approximately 21 facilities that will be annually examined for suitability. More than 100,000 California juveniles are booked into these facilities each year. The BOC's standards affect staffing ratios, health services, food quality, environmental safety, and other factors related to the welfare of all of these confined juveniles. Currently, both the BOC and juvenile court judges share the responsibility for ensuring that facilities meet the standards.

In the 2002-03 budget year, the BOC's budget and staffing was eliminated for this function. Without sufficient funding, the BOC has not been able to meet the mandate of §209, consequently placing the BOC and the state at risk of adverse litigation and potentially resulting in a disservice to youth detained in local detention facilities.

Action.

2. Juvenile Justice Crime Prevention Act Funds

The budget proposes de-linking the Juvenile Justice Crime Prevention Act (JJCPA) and the COPS programs and reducing funding for the JJCPA program by \$75 million. The remaining \$25 million would be shifted to the BOC for distribution to local governments. Since the creation of the JJCPA program, its funding has been linked with that of the COPS program. The funding for the COPS program is proposed to continue at \$100 million. A statutory change de-linking the funding for the programs would be needed to enact this proposal.

The Governor's Budget Summary indicates that the administration is working with local government and other stakeholders in the juvenile justice system to develop a comprehensive plan to reform California's juvenile justice system and to redefine the role of the CYA, but no specific plan is included in the budget. Potential changes that are being evaluated include shifting responsibility for supervising youthful offenders on parole from CYA jurisdiction to the counties; limiting the types of offenders that can be sent to the CYA; and establishing a new direction for the CYA that focuses on the most serious offenders and those in most need of mental health and sex offender treatment.

No proposal has been put forward at this time. It is not clear that there will be sufficient time for the Legislature to complete a thorough review of the proposal during the May Revision process that is generally used to consider adjustments to population, caseload, and enrollment.

Staff Comments. This proposal would eliminate a program that has shown effectiveness in reducing juvenile crime and delinquency. The JJCPA program requires the BOC to submit an annual report to the Legislature on: 1) the overall effectiveness of the statutorily required local planning process; 2) program expenditures; and 3) results on six juvenile justice outcomes. The results for the statutorily mandated outcomes indicate that the JJCPA programs, as a whole, are making a significant difference in curbing juvenile crime and delinquency. For example, the analysis of outcomes for juveniles receiving program services compared to juveniles in a county-designated reference group shows lower arrest and incarceration rates, and higher rates for completing restitution payments and performing court-ordered community service for juveniles served by the program. In addition, results on commonly used local outcomes, including increased school attendance, improved academic performance, and decreased drug usage, also underscore the effectiveness of the JJCPA programs.

This issue crosses over to the jurisdiction of Subcommittee #4, which handles Budget Item 9210 – Local Government Subventions. At a hearing on April 13, that Subcommittee held open the issue of funding for COPS/JJCPA pending additional information from the administration on the juvenile justice reform proposal.

Action.

3. Informational Issue -- Funding for County Youth Probation Programs.

The budget proposes to shift funding for county youth probation programs from the General Fund to federal TANF funds. In the current year, this program had been shifted from TANF funds to the General Fund. Specifically, \$134 million in General Fund was provided in the current year in the BOC budget to continue this program, with partial-year funding of \$67.1 million provided in federal TANF dollars through the Department of Social Services. Under the 2005-06 budget proposal, \$201.4 million for county youth probation programs would be funded through federal TANF funds. Funding this program through TANF will impact other programs, such as CalWORKs, that are also funded through TANF funds.

Staff Comments. Subcommittee #3 is reviewing this proposal in the context of all the TANF fund shift proposed in the budget. Subcommittee #3 held this issue open at a hearing on April 7. No action on this issue is necessary at this time.

Informational Issue

5440 Board of Prison Terms

The Community Release Board was established in 1977 and renamed the Board of Prison Terms (BPT) in 1980. The board considers parole release and establishes the length and conditions of parole for all persons sentenced to prison under the Indeterminate Sentence Law, persons sentenced to prison for specified terms of less than life, and for persons serving a sentence for life with possibility of parole. The board is also responsible for parole revocation hearings and for reviewing applications for clemency. The board has nine commissioners appointed by the Governor and confirmed by the Senate.

Budget Overview. The budget proposes \$72.9 million from the General Fund for the BPT. The proposal represents an increase of \$1.8 million, or 2.6 percent above current-year expenditures. Total authorized positions are proposed to be 370.6, which is an increase of 54.3 positions from the current year. Funding in the current year is significantly higher than in the prior year. In the May Revise last year, the Legislature approved an augmentation of \$35.4 million and 134 positions to implement the Valdivia Remedial Plan. Also in the current year, the administration proposed increases of \$2.5 million due to increased caseload from Valdivia and \$6.5 million for attorney and monitoring costs related to Valdivia.

| Board of Prison Terms -- Program Expenditures | | | | | |
|--|--|----------------|----------------|---------------|-----------------------|
| Program | <i>Expenditures (dollars in thousands)</i> | | | | <i>Percent Change</i> |
| | 2003-04 | 2004-05 | 2005-06 | Change | |
| Board of Prison Terms | \$25,421 | \$71,007 | \$72,852 | \$1,845 | 2.6% |
| Total Authorized Positions | 183.5 | 316.3 | 370.6 | 54.3 | 17.2% |

Discussion Issues

1. *Valdivia v. Schwarzenegger.*

Budget Request. The budget proposes 61.1 positions and \$7 million to meet the projected increase in hearing workload related to the *Valdivia* Remedial Plan for the budget year.

Remedial Plan. In December 2003, the parties in the case jointly submitted to the court their plan which includes several significant reforms to the revocation system. These reforms are designed to ensure a timely and fair revocation process for parolees. The most significant of the reforms are as follows.

- *Establishes Probable Cause Hearing as of July 2005.*
- *Requires Revocation Hearing Within 35 Calendar Days as of January 2005.*
- *Requires Attorneys for All Parole Violators.*

Staff Comments. Regarding implementation of the *Valdivia* remedial plan, the BPT reports that it is ahead of all implementation timeframes. BPT has opened 14 decentralized revocation units, has hired and trained 29 new deputy commissioners, implemented new hearing procedures, is staying within the 35 days for revocation hearings, and will be implementing probable cause hearings by the July deadline.

Workload Projections in the Budget Are Based on Use of Intermediate Sanctions. The agreement assumed that the use of intermediate sanctions by parole agents and BPT would reduce the total caseload of parolees in the revocation process, thereby allowing BPT to conduct the remaining hearings within the shortened time limits established in the agreement. The current workload projections assume that some parole violators are sent to intermediate sanctions.

Staff Comments. In an April 11 memo, the Secretary of the YACA Agency indicated that intermediate sanctions will not be used in lieu of parole revocation. To the extent that the workload estimates assume the use of intermediate sanctions for some violators, the budget request for *Valdivia* workload may not be sufficient to remain within the mandated timeframes. The Subcommittee may wish to ask BOT how the changes resulting from the April 11 memo will impact *Valdivia* workload and whether the workload projections for *Valdivia* will be updated.

Action.

2. Hearings for Life-Term Inmates

Budget Request. The budget proposes 1.4 positions and \$190,000 for an increase in the number of parole consideration hearings for lifer prisoners.

Background. Certain offenders in California prisons, particularly those punished for murder, are serving so-called indeterminate sentences in which the period of time to be served in prison before release to parole is not fixed in advance by the court. These indeterminately sentenced offenders are often called "lifers" even though most are eventually legally eligible for release. The BPT is the state agency primarily responsible under state law for deciding when those lifers who have served the minimum required prison time, and thus are now eligible for parole, will actually be released to the community.

Action.

3. Decision Review Workload

Budget Request. The budget proposes 4.2 positions and \$294,000 for the Decision Review for Lifer Hearings. This responsibility was transferred from the Hearings Operations Division to the Legal Division, but due to the implementation of the *Valdivia* remedial plan, the BPT indicates that sufficient resources were not transferred to the Legal Division.

The Requested positions are as follows:

- 0.5 Legal Analyst and 1.2 Legal Assistant positions to handle the workload of a moderately thorough review of lifer parole denials.
- 1.6 Legal Analyst and 0.9 Legal Assistant positions to handle the workload of a sophisticated and intensive review of lifer parole grants and to relieve staff handling an increased workload.

The BPT indicates that in 2003, there were 4,086 life parole denials to be reviewed and 167 lifer parole grants to be reviewed.

Action

4. Interpreter Service Fees.

Budget Request. The budget proposes an increase of \$481,000 for interpreting services because of an anticipated increase of revocation proceedings. The BPT paid \$344,000 for interpreter services in 2003-04 for 44,101 hearings. Due to the *Valdivia* remedial plan, the BPT estimates that the number of hearings will increase to over 106,000 in the budget year. BPT indicates that approximately 30 percent of cases require interpreter services.

Action.

5. *Armstrong* Monitoring Fees and ADA Workload

Budget Request. The budget proposes 1.9 positions and \$336,000 for *Armstrong* Monitoring Fees and ADA workload. Of the amount requested, \$265,000 is for court mandated monitoring fees related to the *Armstrong* ADA case, and \$71,000 is for 2 positions in the ADA compliance Unit.

Background. In *Armstrong*, the United States District Court found that the BPT is in violation of Title II of the 1992 Americans with Disabilities Act (ADA), Section 504 of the Rehabilitation Act of 1973, and the due process clause of the 14th Amendment to the Constitution. The *Armstrong* court decreed that equal access for disabled prisoners and parolees was not being provided in the hearing process, and issued a permanent injunction requiring that the BPT comply with specified remedies.

The permanent injunction requires that the BPT accommodate the disabled. It was the impetus for expanded staffing and creation of the BPT's ADA Compliance Unit. Plaintiffs' attorneys through their monitoring visits and legal review of other BPT functions scrutinize compliance with all of the injunction's requirements, e.g. a special database identifying disabled prisoners and parolees. The quarterly *Armstrong* court orders requiring that the BPT pay Plaintiffs' attorney fees relate to these ADA compliance functions. These fees have generally varied in the range between \$300-500, 000 per year.

Action.

6. Foreign Prisoner Transfer Program

The Foreign Prisoner Transfer Treaty Program is administered jointly by the BPT and the California Department of Corrections (CDC), and allows inmates who are citizens of foreign countries to be transferred to their home country to serve the remainder of their California imposed prison sentence. CDC staff provide a volunteer form to interested inmates. This form is sent to BPT where staff investigate the case to determine whether the inmate meets all eligibility requirements and would be a good candidate for transfer. Once BPT approves the case, it is filed with the United States Department of Justice which negotiates the transfer with the inmate's home country. Currently BPT has one investigator position and a part-time office technician dedicated to the Foreign Prisoner Transfer Program.

The LAO reports that the BPT estimates that about 6,500 foreign inmates are eligible for transfer and that the BPT has successfully transferred 18 foreign inmates in the last three years. By comparison, the LAO notes that the federal system has transferred about 857 in that same period. The BPT does indicate that three inmates have been transferred in the first quarter of 2005 and that BPT has completed the review of four additional inmates. These cases are now pending approval by the U.S. government and the country of origin.

Based on the CDC overcrowding rate, BPT estimates savings of approximately \$700,000 in CDC's budget have been achieved to-date as a result of the transfers.

Analyst's Recommendation. The LAO recommends that the Legislature adopt supplemental report language requiring BPT to update and distribute brochures about the program.

Item 5440-001-0001. No later than October 1, 2005, the Board of Prison Terms shall produce information brochures for the Foreign Prisoner Transfer Treaty Program in sufficient number to distribute to all incoming state prison inmates. These brochures shall be printed in English and Spanish, as well as any other languages the department believes appropriate.

The LAO also recommends augmenting the BPT with more staff to investigate and process the increase in applications, as well as do more field training of CDC staff. Specifically, the LAO recommends that the Legislature authorize two program analyst positions and \$110,000 in BPT to support the transfer program. This additional staff would allow BPT to investigate and process the increase in applications created by the above changes, as well as do more field training of CDC staff.

The LAO also recommends that the Legislature reduce the CDC budget by \$127,000 in the budget year, which represents a reduction of about 7 inmates for the full year. While the exact amount of long-run savings will depend on several factors, an increase of 25 inmate transfers each year, for example, would result in offsetting savings of about \$1 million annually.

Staff Comments. BPT indicates that if the program were augmented, the BPT would likely use the new positions to target specific inmates and to go into the institutions and perform one-on-one interviews with potential candidates.

Action.

SUBCOMMITTEE NO. 5

Agenda

Gloria Romero, Chair
John Campbell
Mike Machado



Thursday, April 28, 2005
Upon Adjournment of Session
Room 112

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5240 Department of Corrections

Budget Proposal. The budget proposes \$6.5 billion for the Department of Corrections (CDC), which is an increase of \$247.5 million, or 4 percent, from the revised current-year budget. General Fund expenditures are proposed to increase by \$250 million, or 4.1 percent above current-year expenditures.

| CDC – Source of Funding | | | | | | | |
|--------------------------------|--|--------------------|--------------------|--------------------|--------------------|------------------|-----------------------|
| Fund | <i>Expenditures (dollars in thousands)</i> | | | | | Change | Percent Change |
| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | | |
| General Fund | \$4,934,700 | \$5,183,248 | \$4,829,486 | \$6,119,792 | \$6,369,768 | \$249,976 | 4.1% |
| Federal Trust Fund | 1,652 | 2,057 | 854,482 | 2,619 | 2,658 | 39 | 1.5% |
| Inmate Welfare Fund | 45,645 | 46,816 | 49,639 | 57,006 | 55,863 | -1,143 | -2.0% |
| Special Deposit Fund | 1,516 | 1,163 | 1,058 | 1,010 | 1,102 | 92 | 9.1% |
| Reimbursements | 103,122 | 101,723 | 82,404 | 80,126 | 78,633 | -1,493 | -1.9% |
| Totals, Programs | \$5,086,635 | \$5,335,007 | \$5,817,069 | \$6,260,553 | \$6,508,024 | \$247,471 | 4.0% |

Authorized Positions. As shown at the bottom of the next table, authorized positions for the department are proposed to increase by 1,575, or 3.1 percent, above the current-year figures to a total of 51,848.2 positions.

| CDC – Summary of Program Expenditures | | | | | |
|--|--|--------------------|--------------------|------------------|-----------------------|
| Program | <i>Expenditures (dollars in thousands)</i> | | | | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | Change | |
| Institution Program | \$4,274,143 | \$4,509,057 | \$4,670,003 | \$160,946 | 3.6% |
| Health Care Services Program | 967,832 | 1,004,378 | 1,095,668 | 91,290 | 9.1% |
| Inmate Education Program | - | 175,372 | 181,018 | 5,646 | 3.2% |
| Community Correctional Program | 575,093 | 600,691 | 656,629 | 55,938 | 9.3% |
| Administration | 130,676 | 147,276 | 162,657 | 15,381 | 10.4% |
| Distributed Administration | -130,676 | -147,276 | -162,657 | -15,381 | -10.4% |
| State Mandated Local Program | 1 | 1 | 0 | 0 | 0.0% |
| Unallocated Reduction | | -28,946 | -95,294 | 66,348 | n/a |
| Total | \$5,817,069 | \$6,260,553 | \$6,508,024 | \$247,471 | 4.0% |
| Total Authorized Positions | 44,033.6 | 50,273.1 | 51,848.2 | 1,575.1 | 3.1% |

The average cost per inmate has been steadily increasing for the last several years.

| Average Cost per Inmate at CDC | | | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05* | 2005-06 |
| \$22,737 | \$25,307 | \$27,705 | \$28,654 | \$31,288 | \$33,470 | \$35,212 |

* Projected

Population

Historical Population Trends. Over the last 15 years, the CDC population has nearly doubled from 82,872 on June 30 1989 to 163,500 on June 30, 2004. Between 1999 and 2002, the inmate population slowly declined. Since 2002, the institution population has been steadily increasing. It is important to note that the Fall 2004 projections do not include reductions to the estimates included in the budget proposal.

| Historical Institution and Parole Populations (as of June 30th of each year) | | |
|--|-------------------------------|--------------------------|
| Year | Institution Population | Parole Population |
| 1989 | 82,872 | 53,779 |
| 1990 | 93,810 | 63,697 |
| 1991 | 101,995 | 74,997 |
| 1992 | 104,352 | 85,835 |
| 1993 | 115,534 | 83,887 |
| 1994 | 124,813 | 85,197 |
| 1995 | 131,342 | 91,456 |
| 1996 | 141,017 | 98,013 |
| 1997 | 152,506 | 100,828 |
| 1998 | 158,207 | 108,750 |
| 1999 | 162,064 | 112,494 |
| 2000 | 162,000 | 119,298 |
| 2001 | 161,497 | 119,636 |
| 2002 | 157,979 | 120,336 |
| 2003 | 160,931 | 116,173 |
| 2004 | 163,500 | 112,685 |

| Fall 2004 Institution and Parole Population Estimates (as of June 30th of each year) | | |
|--|-------------------------------|--------------------------|
| Year | Institution Population | Parole Population |
| 2005 | 164,048 | 113,875 |
| 2006 | 165,832 | 110,004 |
| 2007 | 167,865 | 107,796 |
| 2008 | 169,331 | 107,863 |
| 2009 | 170,156 | 109,117 |
| 2010 | 171,137 | 109,180 |

Inmate Population Is Significantly Higher Than Amount Funded in the Current Year. The current inmate population is significantly higher than was previously funded in the 2004 Budget Act. The current inmate population is approximately 163,000, while the 2004 Budget Act provided funding for an assumed average daily population of only 157,259. The revised proposal for the current year (2004-05) now assumes that the average daily population (ADP) will be 163,019 – an increase of 5,760 ADP over the previously funded amount. In January, the CDC estimated that for the current year, it would require an additional \$207.5 million General Fund to support this increase.

Parole Population is Significantly Higher Than the Budget Projections. As of June 30, 2004, the CDC supervised 112,685 persons on parole. The January budget proposal projects the parolee population to decrease to 94,897 by the end of the budget year, a decrease of 17,788. As of April 13, 2005, the parole population was 116,386 and has been increasing by over 700 parolees a month in 2005.

The department indicates that the population projections that will be released at the May Revise will likely be significantly higher, even before the April 11 memo terminating intermediate sanctions in lieu of parole revocation.

ISSUES PROPOSED FOR CONSENT / VOTE-ONLY

- 1. Local Assistance Increase.** The budget proposes an increase of \$7.5 million to reimburse local entities for the prosecution of crimes committed by inmates while incarcerated in the correctional system. The base amount in the budget for this function is \$12.6 million.

- 2. Realignment of the Benefit Trust Fund from DPA to CDC.** The budget proposes to transfer \$5.5 million from the Department of Personnel Administration's (DPA's) budget to the budget for the CDC for the bargaining Unit 6 Benefits Trust Fund. In 2001, the funding was provided in the DPA budget for this activity. This proposal realigns the funding to within the CDC budget.

- 3. Kosher Diet Food Program.** The budget proposes \$956,000 for 8 half-time Jewish chaplain positions and equipment, food, and feeding materials to implement and maintain a statewide Jewish Kosher Meal Program. Total on-going costs for the program will be approximately \$2 million. The program is being implemented as a result of a federal court order.

- 4. Office Assistant to Program Technician Conversion.** The budget requests \$457,000 to reclassify 416 field support office assistant positions to program technician positions in response to several out-of-class settlements.

- 5. Limited-Term Pharmacy Technician Positions.** The budget requests authority to establish 53.5 two-year limited-term pharmacy technician positions. These positions would be used in place of contract registry positions. These positions would be funded through redirection of existing funds.

- 6. Workers' Compensation Staffing.** The budget proposes authority to establish 29 two-year limited-term positions to add return-to-work coordinators to better distribute caseloads and to provide more effective case management by limiting caseloads to 200. The funding for these positions would be provided through anticipated savings generated by the additional staff.

- 7. Finance Letter -- Post Relief Supervising Cooks.** The January budget proposal requested \$9.8 million and 145.7 new positions to fund post relief for increased sick leave use and training requirements for registered nurses, supervising cooks, and Medical Technical Assistants (MTAs). The LAO reported some technical errors in the original proposal. This Finance Letter proposes a decrease of \$2,859,000 General Fund to reflect a correction in the number of supervisory cooks.

8. Finance Letter -- Inmate Restitution, Banking, and Canteen System Reappropriation.

This Finance Letter requests reappropriation of \$1.5 million from the Inmate Welfare Fund for a commercial off-the-shelf system to replace the obsolete 15-year old inmate restitution, banking, and canteen system. CDC indicates that project delays due primarily to procurement issues, only \$765,000 of the \$2.3 million appropriated in 2004-05 will be spent.

9. Finance Letter -- Protecting Inmates and Safeguarding Communities. This Finance Letter proposes an increase of \$209,000 federal funds to create a program designed to eliminate sexual assault in correctional facilities. The California Department of Corrections intends to use the funds to develop and implement standards for the detection, prevention, reduction, and punishment of prison rape. The funds are part of a \$500,000 federal grant that will expire on June 30, 2007.

10. Finance Letter -- Transfer of General Fund Resources to the Department of Mental Health. This Finance Letter proposes a decrease of \$61,034,000 General Fund to reflect a permanent funding transfer to the state hospital appropriation for the Department of Mental Health (Item 4440-001-0001). This technical adjustment reflects the departments' mutual effort to streamline administrative and reimbursement processes. A request for an increase of the same amount is included in a Finance Letter for the Department of Mental Health. This transfer will result in no net change to the General Fund.

Staff Comments. No issues have been raised for these consent / vote-only issues.

Action

CDC DISCUSSION ISSUES**1. Update on CDC Parole Reforms**

The Table below highlights the savings estimates for some of the parole reform proposals from the last two years.

| Savings Estimates for CDC Reforms | | | |
|--|--|---|---|
| Program | Originally Estimated Savings for 2004-05 | Estimate For Savings in 2004-05 Included in the January Budget Proposal | Estimate For Savings in 2005-06 Included in the January Budget Proposal |
| Expansion of the Mentally Ill Transition Program | -\$20,600,000 | -\$5,909,043 | -\$7,571,868 |
| Pre-Release Planning and Re-Entry Programs | -\$30,200,000 | -\$5,071,393 | -\$15,900,656 |
| STAR Program | -\$6,100,000 | -\$541,377 | -\$1,109,234 |
| Modify Discharge Practices | -\$59,500,000 | -\$25,778,685 | -\$46,815,494 |
| Substance Abuse Treatment and Control Units (SATCUs), Halfway Back Programs, Electronic Monitoring | -\$218,941,408 | -\$21,822,316 | -\$60,754,890 |
| Totals | -\$335,341,408 | -\$59,122,814 | -\$132,152,142 |

In hearings from February and April, the Subcommittee heard testimony on the budget impact of delays in implementing the new parole model and the parole accountability reforms from the last two years. As part of the January budget, the CDC requested a current-year population deficiency of \$207.5 million. The majority of the deficiency is attributable to implementation delays for reforms from the last two years. The January proposal still assumes \$59.1 million in savings in the current year from various reforms. To the extent that these savings are not achieved, the current year deficiency will increase.

Parole Discharge Practices. At the hearing on parole issues in February, CDC indicated that it would be implementing its proposal to modify parole discharge practices in the current year. In January, the CDC estimated savings of \$25.8 million in the current-year and \$46.8 million in the budget year from this proposal.

Use of Intermediate Sanctions. In an April 11 memo, the Secretary of the YACA Agency indicated that intermediate sanctions, such as Substance Abuse Treatment and Control Units (SACTUs), halfwayback houses, and electronic monitoring will not be used in lieu of parole revocation. At the time this analysis was written, CDC could not provide any details as to how the policy in the memo would be implemented.

Action.

2. Allocation of the \$95 Million Reduction to Inmate and Parole Programs

The budget for CDC proposes a reduction of \$95 million to inmate and parole programs. This amount represents a reduction of 28 percent from inmate and parole programs. The reductions to inmate and parole programs could include cuts to substance abuse programs, inmate or parolee employment programs, academic education programs, and vocational education programs.

Staff Comments. No Finance Letter regarding the allocation of this reduction has been received by the Legislature. To the extent that the reduction in inmate and parolee programs has an impact on the ability to place inmates in work or education programs, or to reduce recidivism, there will be increased costs to CDC as a result of the reduction.

Action.

3. Valdivia v. Schwarzenegger

Last year, the Legislature approved funding requests for CDC and BPT for the Valdivia Remedial Plan. For CDC, the Legislature approved an increase of 240 positions and \$22.2 million, and for BPT, the Legislature approved 128 positions and \$35.4 million.

Remedial Plan. In December 2003, the parties in the case jointly submitted to the court their plan which includes several significant reforms to the revocation system. These reforms are designed to ensure a timely and fair revocation process for parolees. The most significant of the reforms are as follows.

- *Establishes Probable Cause Hearing as of July 2005.*
- *Requires Revocation Hearing Within 35 Calendar Days as of January 2005.*
- *Requires Attorneys for All Parole Violators.*

Workload Projections in the Budget Are Based on Use of Intermediate Sanctions. The Remedial Plan assumed that the use of intermediate sanctions by parole agents and BPT would reduce the total caseload of parolees in the revocation process, thereby allowing BPT to conduct the remaining hearings within the shortened time limits established in the agreement. The current workload funding assumes that some parole violators are sent to intermediate sanctions.

Staff Comments. In an April 11 memo, the Secretary of the YACA Agency indicated that intermediate sanctions will not be used in lieu of parole revocation. To the extent that the workload estimates assume the use of intermediate sanctions for some violators, the budget request for Valdivia workload may not be sufficient to remain within the mandated timeframes. The Subcommittee may wish to ask CDC how the changes resulting from the April 11 memo will impact Valdivia workload and when the workload projections for Valdivia will be updated.

Action

4. Salary Savings Adjustments

Budget Request. The budget proposes \$35 million in ongoing funding to reduce its salary savings for certain positions. The proposal would reduce the salary savings rate for correctional sergeant, correctional lieutenant, and supervising correctional cook from 8 percent to 0 percent; reduce the salary savings rate for MTA, Psych tech, and Registered Nurse positions from 7 percent to 0 percent; reduce certain facility operations, case records, and education positions from various levels to 4.9 percent.

At the time of its *Analysis*, the Legislative Analyst's Office (LAO) recommends deletion of the department's \$35 million request. The LAO noted that similar to other state departments, CDC's budget assumes that the department will achieve salary savings when position vacancies occur. According to the department, the salary savings adjustments have resulted in underfunding of posted positions which it proposes to address through the proposed augmentation. The department asserts that its budget assumes salary savings for some posted positions—such as correctional sergeants and registered nurses—even though these positions must be filled at all times. According to the department, this requirement to build in salary savings for posted positions even though they are continuously filled has resulted in unfunded costs which historically have been addressed through a deficiency appropriation or the redirection of funding from other parts of its budget. However, the LAO notes that the department's budget historically has not assumed salary savings for posted positions. While the department may have some unfunded operational costs, the LAO asserts that the proposal does not identify these issues, nor does it estimate their impact on the department's budget.

Analyst's Recommendation. The LAO indicates that the department has provided revised back-up information in response to concerns we raised in the *Analysis* about the department's initial proposal. According to the LAO, the department states that it spends more on personal services than is allocated to its budget, largely because the state does not fund merit salary adjustments (MSAs). As a result, the department takes steps to achieve savings in order to balance its budget, including holding positions vacant and deferring maintenance. While such steps probably do occur, the LAO notes that the department has not provided sufficient information to justify its funding request. Specifically, the department has not provided an estimate of how much more it pays in personal service costs than is budgeted for those positions. In addition, the LAO has raised concerns regarding how the department will use the funding requested. In particular, the LAO has doubts that CDC will be able to fill the positions it has identified as being held vacant to achieve salary savings, particularly in the health care program. For these reasons, the LAO withholds recommendation pending the provision of more information from CDC.

Action.

5. Supervision of Inmate Labor

The budget proposes \$2.6 million and 32 stationary engineer positions to provide supervision of inmate grounds-keeping crews.

Action

6. Third Party Discovery

The budget proposes three positions and \$480,000 in the Legal Affairs Division to assist CDC with responding to third-party discovery subpoenas. The positions would support the additional workload resulting from the DOJ discontinuing this function for the CDC.

Action

7. Employee Discipline

Budget Request. The budget proposes 20 positions and \$2.1 million positions to staff Employee Relations Offices (EROs) uniformly across prisons. These EROs do work related to employee discipline and labor relations. In part, the proposal would provide the EROs of each state prison with one employee dedicated to employee discipline issues. This would be achieved through the creation of new positions and reclassification of some existing positions.

Analyst's Recommendation. The LAO recommends a reduction of \$100,000 and the reclassification of six correctional lieutenant and three correctional counselor II (specialist) positions to correctional sergeant positions. The department states that this proposal is designed to achieve uniformity across institutions. However, while most of the proposed employee discipline positions are classified as correctional sergeants, nine positions are either correctional lieutenants or correctional counselor II (specialist) positions. The LAO indicates that the department has provided no justification for using classifications other than correctional sergeants. Therefore, the LAO believes that these nine positions should be reclassified to the correctional sergeant classification. Doing so would provide for consistency across institutions, make it easier for institutions to fill these positions, and be less expensive than the current classifications.

Action.

8. Custody Employees in Headquarters

Background. In its *Analysis*, the LAO noted that CDC may overutilize custody employees in headquarters. The LAO reported that of the 3,241 position in headquarters, 880 (27 percent) held peace officer status.

Analyst's Recommendation. The department has provided the LAO with revised data indicating that there are fewer custody employees staffed in its headquarters and regional offices than it previously indicated. Based on this information, the LAO recommends that the Legislature reduce CDC's funding by \$300,000 in the budget year, consistent with the reclassification of 25 headquarters positions by January 1. The LAO believes that this level of reduction is achievable given the department's revised position estimates, as well as steps it has already taken to identify headquarters positions to be reclassified to improve its operations. In addition, the LAO recommends Supplemental Report Language requiring CDC to update the Legislature by January 1, 2006 as to progress made related to this issue.

Item 5240-001-0001—California Department of Corrections. The California Department of Corrections shall submit a report to the Legislature on or before January 1, 2006 on the conversion of peace officer positions in headquarters and regional offices to non-peace officer positions, consistent with the recommendations of the Legislative Analyst's Office and the *Analysis of the 2005-06 Budget Bill*. The report shall include the following: (1) a list of the positions in headquarters and regional offices that were reclassified or eliminated; (2) an estimate of the budget impact of these reclassifications and eliminations; and (3) the department's plan for ensuring that future position vacancies are filled with non-peace officer classifications whenever possible.

Action.

9. Foreign Prisoner Transfer Program

The LAO reports that the BPT estimates that about 6,500 foreign inmates are eligible for transfer and that the BPT has successfully transferred 15 foreign inmates in the last three years. By comparison, the LAO notes that the federal system has transferred about 857 in that same period.

Analyst's Recommendation. The LAO recommends that the Legislature adopt supplemental report language requiring CDC to update their policies and procedures to maximize the effectiveness of this program.

Item 5240-001-0001. No later than October 1, 2005, the California Department of Corrections shall update its Operations Manual to include current state policies and procedures regarding the Foreign Prisoner Transfer Treaty Program.

Staff Comments. At the hearing on April 21, the Subcommittee approved an augmentation in the BPT to provide additional staff for this program to investigate and process the increase in applications, as well as do more field training of CDC staff. Consistent with that action, the LAO also recommends that the Legislature reduce the CDC budget by \$127,000 in the budget year, which represents a reduction of about 7 inmates for the full year. The LAO notes that while the exact amount of long-run savings will depend on several factors, an increase of 25 inmate transfers each year, for example, would result in offsetting savings of about \$1 million annually.

Action.

10. Implementation of Proposition 69, DNA Testing Finance Letter.

Budget Request. The budget proposes \$3.6 million for the CDC in 2005-06 for the costs associated with the implementation of Proposition 69. The Proposition mandates CDC to collect DNA samples from all CDC felon and parolees. The LAO raised several concerns related to estimated costs for obtaining the samples, estimates for the number of samples to be taken, and the estimated postage costs.

Finance Letter Request. This Finance Letter proposes a decrease of \$467,000 General Fund to revise the amount proposed in the 2005-06 Governor's Budget for the implementation of Proposition 69—the DNA Fingerprint, Unsolved Crimes, and Innocence Protection Act. This adjustment revises the total request to reflect a need for \$3,129,000 General Fund for the collection of DNA samples during 2005-06.

LAO Recommendation. The LAO recommends approval of CDC's revised budget request for funding to implement Proposition 69, with the following adjustments:

- Reduce \$762,000 in the budget year to reflect a reduction in parole agent overtime from 45 minutes to 30 minutes per parolee DNA sample, and
- Reduce \$186,000 in the budget year to reflect a reduction in the number of new admissions that will arrive at CDC requiring DNA samples from 20,454 (50%) to 10,227 (25%).

The LAO indicates that these recommendations are meant to more accurately reflect the amount of funding they believe CDC will require based on their viewing of the DNA sampling process, as well as our discussions with state and local correctional officials.

In addition, the LAO recommends budget language which would require that any unspent funds designated for sampling new admissions in the budget year would revert to the General Fund.

Of the amount appropriated in this item, \$185,000 is for the collection of DNA samples from inmates who arrive in state prison without providing a DNA sample in county jail as required by law. If the number of incoming inmates who provide DNA samples in prison is lower than projected, unspent funds appropriated for this purpose shall revert to the General Fund.

Action

11. Institutional Operating Budgets

Last year, the budget bill included language requiring the CDC to report to the Legislature with information on the operating budget for each CDC facility, including information regarding the number of authorized and vacant positions, estimated personal services costs, the estimated overtime budget, and the estimated operating expenditures and equipment budget.

The LAO believes that in future years the department should provide additional detail in its report which would allow the Legislature to make more meaningful analyses of allocation and spending patterns within and across institutions.

Specifically, the LAO recommends that the Legislature amend the budget bill language for 2005-06 to require the department to provide the following in addition to what is already required: (1) year-end expenditures by program for each institution in 2004-05, and (2) allotments and projected expenditures by program in 2005-06.

No later than February 17, 2006, the Secretary of the Department of Corrections and Rehabilitation shall submit to the chairpersons and vice chairpersons of the Committee on Budget in both the Assembly and Senate and to the Legislative Analyst's Office an operating budget for each of the correctional facilities under the control of the department. Specifically, the report shall include: (1) year-end expenditures by program for each institution in 2004-05, (2) allotments and projected expenditures by program for each institution in 2005-06, (3) the number of authorized and vacant positions, estimated overtime budget, estimated benefits budget, and operating expense and equipment budget for each institution, and (4) a list of all capital outlay projects occurring or projected to occur during the 2005-06 fiscal year.

Action

12. Security Housing Units There are currently two Security Housing Units (SHU) operated by the Department of Corrections. The 1,056-bed facility at Pelican Bay is one of them. The other, a 512-bed facility at Corcoran State Prison, houses both SHU and protective custody inmates.

Background. California's most secure prison facility, the high-tech SHU, is located within the maximum custody Pelican Bay State Prison. Its purpose: to protect staff and male inmates throughout the system from the few most violent, predatory offenders. The prison is geographically isolated, lying just south of the Oregon border near the coastal community of Crescent City, California. One side of the prison houses maximum custody inmates in general population--those who can hold jobs, go to school, and mingle with other inmates. Inmates assigned to Pelican Bay's SHU have none of these privileges. They have proven by their behavior in prison that they cannot be housed safely with general population inmates.

Informational Issue

13. Transitional Housing Unit (THU)

The Transitional Housing Unit (THU) is a small unit of 48 prisoners who do everything together. Of the 337 prisoners who have participated, only 17 failed to finish the program; 6 have been sent back to the SHU (none for gang-related offenses); 40% have paroled; and 21% of parolees have been returned to prison as parole violators (this is less than one-third the normal rate).

Background The THU operates at Pelican Bay. It is a transition from the Secure Housing Unit to the General Population for prisoners who are gang drop-outs. In order to get into the THU, an inmate must debrief on his former gang. According to Pelican Bay officials who run the program, it is wildly successful. The THU is integrated, so the gang members of all kinds are in the same program. The THU uses a lot of the same techniques as Missouri and Connecticut, emphasizing programming/education and guard/prisoner interaction. The goal of the THU is to allow inmates to build better relationships and understand that they can get along with other gangs/races.

Informational Issue

14. Finance Letter -- Basic Correctional Officer Academy Expansion

This Finance Letter proposed an increase of \$29,074,000 General Fund to increase the number of Basic Correctional Officer Academy cadets from 640 to 1,920 annually. The academy was deactivated in February 2004, based on projected population decreases which have yet to fully materialize.

Action

15. Finance Letter -- Price Increase Adjustment

Decrease of \$2,932,000 General Fund to revise the amount proposed in the 2005-06 Governor's Budget for this adjustment. With this revision, the Department's total price increase for 2005-06 will be \$43,109,000 (\$42,102,000 General Fund). This amount reflects a revised calculation based on the updated operating expenses and equipment budget of the Department, adjusted for significant one-time expenditures and revised staff benefits costs and totals a 2.6 percent increase for operating expenses and equipment. This is consistent with the intent of Budget Letter 04-32.

Analyst's Recommendation. LAO recommends an additional reduction of \$4.4 million from the Finance letter amount. \$1.3 million of the additional reduction is related to a technical calculation error and \$3.1 million is based on insufficient information on the calculation for a portion of the increase in the healthcare services division.

Action.

13. Training

Last year, the Legislature approved an augmentation of \$10.4 million in CDC's budget to increase the number of hours of training for correctional officers from 40 hours to 52 hours. Subsequently, CDC entered into an agreement to provide the additional 12 hours training as on-the-job training. Of the funding provided, CDC indicates that it has reverted \$4.9 million to the General Fund. CDC also indicates that it plans to redirect \$5.5 million of these funds for costs associated with implementation of *Plata* Remedial Plan. The CDC indicates that this training funding has been removed from its budget for 2005-06.

Informational Issue

14. Finance Letter -- Statewide Offender Management System

This Finance Letter proposes an increase of \$253,000 General Fund to partially fund the extension of 5.0 limited-term positions for two years, until June 30, 2007. The remainder of the necessary funds (\$376,000 General Fund) for 2005-06 is proposed to be reappropriated from a previous appropriation.

This request was originally funded in 2003-04. At that time, the proposal was intended to provide funding and support to conduct, within 12 months, the required analysis to select and validate an appropriate automated solution, and to provide the business case and cost/benefit justification for that solution. The CDC indicated that this would be accomplished through a business process analysis, definition and validation of detailed business requirements, and definition of the measurable business objectives necessary to complete the Feasibility Study Report (FSR).

| Original Request | | |
|----------------------------|--------------------------|--------------------------|
| Resource | Fiscal Year 2003-04 Cost | Fiscal Year 2004-05 Cost |
| 5 limited term positions | \$449,356 | \$449,356 |
| Vendor Consultant Services | \$675,000 | \$375,000 |
| Equipment/Travel/Training | \$153,644 | \$34,644 |
| | | |
| Total | \$1,278,000 | \$859,000 |

The Table above highlights the amounts that were previously funded for the original request. In 2003-04, CDC did not spend all of the money so the Legislature approved their proposal to reappropriate these funds for the current year. In the current year, CDC indicates that it will not spend \$376,000 and is seeking to reappropriate these funds in the budget year. In total, the CDC will have spent \$1.8 million in 2003-04 and 2004-05 and is seeking to reappropriate \$376,000 to spend in 2005-06.

Timetable in the Original Request from 2003-04

| | |
|-------------------------------------|---|
| April 2003 through July 2003 | Hire new limited-term staff |
| April 2003 through July 2003 | Identify subject matter experts and provide Business Process Analysis training |
| July 1, 2003 | Sign consultant contract |
| July 10, 2003 | Project Kick-off |
| August 2003 | Complete project scheduling and visitation schedules to the institutions |
| August 2003 through December 2003 | Complete Business Process Analysis and recommended statewide work processes |
| December 2003 through February 2004 | Complete review of commercial off-the-shelf solutions, produce initial gap analysis and estimated schedule and budget alternatives. |
| March 2004 through May 2004 | Complete business case and solution justification |
| April 2004 through May 2004 | Complete procurement plan |

New Request. In addition to the reappropriation of \$376,000 in the current year, the CDC is requesting that the limited-term positions be extended for 2 more years and that \$253,000 from the General Fund be provided – for a total of \$629,000 in 2005-06 and that an additional \$550,000 is provided for 2006-07.

Timetable for the Request for 2005-06

| | |
|---------------|---|
| March 2005 | Release the Request for Offer (RFO) |
| May 2005 | Award RFO and sign consultant contract |
| May 2005 | Training |
| November 2005 | Complete Business Process Analysis |
| February 2006 | Complete review of commercial off-the-shelf solutions, produce gap analysis |
| May 2006 | Complete Feasibility Study Report (business case and solution justification). |
| May 2006 | Complete Information Technology Procurement Plan |

The request indicates that to-date, CDC has taken action to hire the majority of the limited-term staff, developed all the necessary project initiation strategies and schedules, and completed a Request for Offer document.

Action

HEALTHCARE SERVICES**19. Healthcare Contract**

Background During testimony at the April 14th Joint hearing of the Budget and Fiscal Review Subcommittee No. 5 and Senate Select Committee on the California Correctional System, Kevin Carruth, Undersecretary, Youth and Adult Correctional Agency, indicated that YACA was looking to contract out the management of correctional healthcare. YACA has drafted a contract in which consultants are asked to develop an RFP for contracting out. That contract, which has not been signed, will pay \$850,000 to a consulting firm to develop the RFP. This contract was given to the consultants in a non-competitive bid.

Despite the successful litigation in *Plata*, the Department of Corrections has continued to provide inadequate and, often, dangerous healthcare services, as evidenced by the recent reports issued by the experts. The most recent report, reviewing San Quentin, revealed a decrepit, unsanitary, and deadly healthcare system, in which the stipulations of *Plata*—settled over a year ago—had still not been met. Testimony from witnesses across the board indicated that the healthcare system was so broken that drastic alternatives needed serious consideration.

Action.

20. Reporting Language for *Plata* Remedial Plan

In light of the significant fiscal investment required by the *Plata* settlement agreement, the LAO believes that the Legislature should require the department to report on its progress in achieving the goals of the *Plata* settlement.

LAO Recommendation: Adopt Supplemental Report Language to this effect.

On or before December 1, the California Department of Corrections shall annually provide a report to the chairs of the fiscal committees in both houses on the status of the implementation of the *Plata* settlement agreement. The report to the Legislature shall identify specific outcomes relating to the settlement agreement and its goal of providing increased access and higher quality health care services. The report shall include information on medical related inmate appeals, medical staff vacancies, and census data (bed usage) for each prison and community hospital facility.

Action

21. UC Interagency Agreement

The budget requests \$14.7 million to fund two contracts with UC to address concerns raised by the court medical experts regarding the quality of CDC medical staff. The two interagency agreements are to evaluate and train CDC physicians. Specifically, one interagency agreement with UC San Diego (UCSD) is for physician assessment and training, and one agreement is with UC San Francisco (UCSF) for on-site physician consultations.

The LAO's review of the proposed agreements indicates that only about \$5.7 million is required in 2005-06. (That's \$1.2 million for the interagency agreement with UCSD, and approximately \$4.5 million for the interagency agreement with UCSF). The CDC agrees there is more funding here than required, but has indicated that the contract amounts may need to be adjusted in future years.

LAO Recommendation. The LAO recommends reducing this item by \$9 million for the budget year.

Action.

22. Finance Letter -- Institution Medical Contract Staffing

This Finance Letter proposes an increase of \$712,000 General Fund to address the increasing workload associated with the contract bidding processes of previously exempt medical services. The Department of General Services will be requiring CDC to bid out for medical services that were previously exempted from the formal bidding process.

Action

23. Finance Letter -- Pharmacy Health Care Management System, Phase III Implementation

This Finance Letter requests an increase of \$4,867,000 General Fund to fund the Phase III Implementation of a pharmacy automated information system project to improve delivery of health care to inmates, pharmacy operation, medication management, and to comply with legal and regulatory requirements. Budget bill language prohibiting the expenditure of these funds until the Feasibility Study Report for this project is approved by the Department of Finance is also requested. The total three-year costs for the system are \$12.3 million, of which \$8.9 million are one-time costs.

Action.

24. High Vacancies Rates

The department continues to experience high vacancies in its health care positions. The overall vacancy rate is in the range of 21 percent. The LAO notes that to-date, recruitment and retention bonuses do not appear to have made a significant difference in number of vacancies. The Table below highlights the vacancy rates for selected healthcare classifications as of November 2004.

| Vacancy Rates for Selected Health Care Classifications as of November 30, 2004 | | | |
|---|------------------|------------------|---------------------|
| Classification | Positions | Vacancies | Vacancy Rate |
| Staff Psychiatrist | 183.7 | 65 | 35.4% |
| Registered Nurse | 1,070.96 | 300.76 | 28.1% |
| Med Tech Assistant | 1,036.1 | 220.95 | 21.3% |
| Psy Social Worker | 144.26 | 28.80 | 20.0% |
| Clinical Psychologist | 424.4 | 82.9 | 19.5% |
| Pharmacist I | 82.2 | 33.2 | 40.4% |
| Pharmacist II | 32.0 | 13.0 | 40.6% |

| Growth in Expenditures for Medical Registry Contracts | | | |
|--|---------------------------|-----------------|-----------------------|
| Year | Total Expenditures | Increase | Percent Change |
| 1998-99 | \$11,722,236 | -- | -- |
| 1999-00 | \$14,795,111 | \$3,072,875 | 26.2% |
| 2000-01 | \$28,869,934 | \$14,074,823 | 95.1% |
| 2001-02 | \$46,790,565 | \$17,920,631 | 62.1% |
| 2002-03 | \$63,821,909 | \$17,031,344 | 36.4% |
| 2003-04 | \$74,550,196 | \$10,728,287 | 16.8% |
| 2004-05* | \$136,501,323 | \$61,951,127 | 83.1% |

* Estimated

As can be seen in the Table above, expenditures for Medical Registry contracts have increased significantly in recent years. Of note, expenditures in the 2003-04 were \$74.6 million, but the budget allotment for these contracts was \$26.2 million. A Bureau of State Audits report from 2003 noted that these registry contracts were being used to fill vacant positions.

In some instances, recruitment and retention bonuses have been implemented to help to try to fill the positions. A recent CDC compensation survey noted that for the Pharmacist I positions, the CDC salary lagged below the market rate for comparable positions by between 39.75 percent and 51.56 percent.

The LAO recommended that the CDC report on recent actions taken to address the problem of vacancies.

25. Various Positions: Facility Captains, Staff Counsel, and Extraordinary Travel

The budget requests 12 facility captain positions to implement the rollout of *Plata* Remedial Plan, and 4 staff counsel to oversee its implementation. The LAO originally recommended rejecting all of the captain positions and two of the staff counsel positions along with the extraordinary travel budgeted for each position.

The LAO now recommends approving six of the twelve facility captain positions. The department has indicated this would be sufficient in the budget year, but indicates that additional positions may be needed in future years.

LAO Recommendation: Reduce by \$1.6 million.

Action.

26. “Dead” or Incapacitated Inmates Earlier this year, in a letter to Senator Romero, CDC indicated that it had spent approximately \$1.27 million for the healthcare of 6 inmates who lay comatose. These inmates also cost the state approximately \$1056/per day in guarding costs. (CDC declined to estimate how much had been spent in guarding costs on these six inmates.)

CDC currently has four acute care hospitals in operation, yet with the exception of one inmate, these inmates were housed in outside community hospitals. The expert reports issued as part of the *Plata* settlement indicate that CDC’s own acute care facilities are underutilized and could result in significant cost savings if used appropriately.

Since these inmates cost so much in terms of healthcare services and guarding costs, could CDC improve its use of the acute care hospitals to serve these inmates and thereby avoid the higher costs of outside contracts and extra security measures?

Informational Issue.

27. Contract Medical and Pharmacy Expenditures

As can be seen in the Table below, the costs for pharmaceutical and medical supplies has been a growing part of CDC's healthcare budget, and expenditures are greater than budget authority. A number of reports in the last few years, including a Bureau of State Audits report 1001-012: January 2002 have highlighted shortcomings in the areas of purchasing, distribution, and the pharmacy IT system.

Medical/Pharmaceutical Supplies

| Medical/Pharmaceutical Supplies Budget Authority Versus Expenditures | | | | |
|---|-------------------------|---------------------|---------------------------|-----------------------|
| Year | Budget Authority | Expenditures | Expenditure Growth | Percent Growth |
| 1998-99 | \$40,128,443 | \$58,432,655 | | -- |
| 1999-00 | \$55,112,059 | \$77,641,803 | | 32.9% |
| 2000-01 | \$97,322,500 | \$99,420,032 | | 28.0% |
| 2001-02 | \$78,760,465 | \$118,353,185 | | 19.0% |
| 2002-03 | \$121,720,979 | \$134,280,552 | | 13.5% |
| 2003-04 | \$130,112,490 | \$154,225,373 | | 14.9% |

| Contract Medical Budget Authority Versus Expenditures | | | | |
|--|-------------------------|---------------------|---------------------------|-----------------------|
| Year | Budget Authority | Expenditures | Expenditure Growth | Percent Change |
| 1999-00 | \$69,239,000 | \$111,337,728 | -- | |
| 2000-01 | \$117,522,060 | \$154,934,939 | \$43,597,221 | 39.2% |
| 2001-02 | \$209,533,000 | \$200,626,893 | \$45,691,954 | 29.5% |
| 2002-03 | \$206,419,454 | \$239,486,201 | \$38,859,308 | 19.4% |
| 2003-04 | \$237,317,853 | \$290,606,592 | \$51,120,391 | 21.3% |

In order to help reduce expenditures for pharmacy supplies, the LAO has recommended the following budget bill language:

It is the intent of the Legislature that the state provide parolee medications in the most cost-effective manner. In deciding how to purchase parolee medications, the Department of Corrections, in consolidation with the Department of General Services, shall consider, but not be limited to, contracting with a pharmacy benefits manager and purchasing medications under pharmacy contracts used for prison inmates. The department shall compare the cost of such options and choose the lowest cost option(s).

Action.

0550 Secretary for Youth & Adult Correctional Agency

The Youth and Adult Correctional Agency (YACA) includes the Department of Corrections, Department of the Youth Authority, the Board of Prison Terms, the Youthful Offender Parole Board, Board of Corrections, Prison Industry Authority, the Narcotic Addict Evaluation Authority, and the Commission on Correctional Peace Officers' Standards and Training. The Agency provides communication, coordination, and budget and policy direction for the departments and boards.

Budget Request. The total proposed budget for the Youth and Adult Correctional Agency is \$2.8 million, which is a decrease of \$28,000, or 1 percent, from estimated current-year expenditures. The YACA is funded entirely from the General Fund. Last year, the Legislature increased funding for YACA from \$1.2 million to \$2.8 million and added 12 positions in order to provide oversight and policy direction to the departments within the agency. The increase was funded through reductions to both CYA and CDC, and YACA had indicated that the agency had been borrowing positions from the agencies to perform necessary oversight.

| YACA – Summary of Program Expenditures | | | | | |
|---|------------------------|----------------|----------------|---------------|-----------------------|
| Program | (dollars in thousands) | | | Change | Percent Change |
| | 2003-04 | 2004-05 | 2005-06 | | |
| Secretary for Youth and Adult Correctional Agency | \$1,220 | \$2,801 | \$2,816 | \$15 | 0.5% |
| Unallocated Reduction | 0 | 0 | -43 | -43 | n/a |
| Total | \$1,220 | \$2,801 | \$2,773 | -\$28 | -1.0% |
| Authorized Positions | 7.5 | 20.8 | 20.8 | 0 | 0.0% |

SUBCOMMITTEE NO. 5

Agenda

Gloria Romero, Chair
John Campbell
Mike Machado



Agenda – Part A

Thursday, May 19, 2005
Upon adjournment of session
Room 112

Consultant: Brian Annis

Labor and Veterans' Affairs

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Departments with issues proposed for consent / vote-only

7120 California Workforce Investment Board

The federal Workforce Investment Act (Act) of 1998 established new requirements for employment and training programs for adults, youth, and dislocated workers. Pursuant to the provisions of the Act, the Governor established the California Workforce Investment Board (CWIB) comprised of the Governor; two members of the Senate, appointed by the President pro Tempore; two members of the Assembly, appointed by the Speaker; and representatives of business, labor organizations, community-based organizations, schools and colleges, state agencies, and local governments appointed by the Governor. The Board is tasked with developing workforce development programs into an integrated workforce investment system that can better respond to the employment, training, and education needs of its customers.

The Governor's January Budget proposed \$5.6 million (federal funds and reimbursements) and 28.0 positions for the Board's budget – an increase of \$286,000. The Administration did not submit Budget Change Proposals for this item.

Issue:

- 1. Administrative Reductions to Redirect Savings to Training (April Finance Letter #1):** The Administration requests to reduce the CWIB budget by \$775,000 and 6.0 positions, and redirect the savings to state and local training programs. The Administration indicates the remaining 22 positions would be sufficient to meet federal requirements and essential activities, and the reduction would not have a negative effect on the Board or its partners. The positions slated for abolishment are currently vacant.

Staff Comment: The Administration indicates this proposal is motivated by reductions in federal training money and the desire to maximize actual labor training and minimize administrative expenditures.

8950 Department of Veterans Affairs

The Department of Veterans Affairs has three primary objectives: (1) provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under state and federal laws; (2) afford California veterans the opportunity to become homeowners through loans available to them under the Cal-Vet farm and home loan program; and (3) provide support for California veterans' homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided. The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds (Proposition 16, 2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004, Wesson]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy, Fresno, and Redding.

The Governor's January Budget proposed total expenditures of \$301.5 million (\$67.7 million General Fund), an increase of \$3.0 million from the current-year budget.

Issues:**1. Unallocated Budget Reduction (Governor's Budget and May Finance Letter).**

The Governor's Budget proposed an unallocated General Fund reduction of \$973,000. No information was provided with the budget on how these cuts would be distributed among the Veterans' Homes and headquarters and how these cuts might affect the quality of veteran care. The Subcommittee held open the issue at the March 10, 2005, hearing and requested additional information on this proposed reduction. The Administration never provided this detail; however, a May Finance Letter rescinds \$876,000 of the reduction leaving an unallocated reduction of \$97,000.

Staff Comment: Given past budget reductions and deficiency requests, it is questionable that the Department would be able to absorb a reduction of \$973,000 while at the same time not redirecting any funds from the augmentations in the Budget Change Proposals requested below, or affecting the quality of veteran care. The Department indicates the remaining \$97,000 unallocated General Fund reduction will be taken at the headquarters. Approval of the May Finance letter would restore \$876,000 in General Fund support and maintain an unallocated reduction of \$97,000.

- 2. Veterans Claims Staffing (Budget Change Proposal #5).** The Department requests \$170,000 (General Fund) and two two-year limited-term positions to liquidate a backlog of claims and delayed benefits for veterans who are represented by the State in the appeals process with the U.S. Department of Veterans Affairs. This issue was heard by the Subcommittee on March 10, 2005, but left open pending resolution of the unallocated General Fund reduction.
- 3. Hospital Cost Accounting System (Budget Change Proposal #7).** The Department requests a one-time augmentation of \$100,000 (General Fund) to hire a consulting firm with expertise in hospital cost accounting systems. If approved and implemented, the Department indicates it would be better able to report costs for different types of care, and better estimate operational costs for new veterans homes to be opened in the future. This issue was heard by the Subcommittee on March 10, 2005, but left open pending resolution of the unallocated General Fund reduction.
- 4. Capital Outlay Projects – Yountville Home (Capital Outlay Budget Change Proposals).** The Department requests a total of \$862,000 (General Fund) for the following three minor capital outlay projects at the Yountville home.

 - \$260,000 to increase the number of paved parking spaces to serve veterans who live in Sections F and D, and their guests.
 - \$399,000 to increase the number of paved parking spaces to serve veterans who live in Sections C and E, and their guests.
 - \$203,000 to build five new bus shelters (eight bus shelters currently exist) to protect residents from sun and rain.

Staff Comment: This issue was heard by the Subcommittee on March 10, 2005, but left open pending resolution of the unallocated General Fund reduction. The Department indicates these requests address health and safety concerns for veterans and their guests.

5. **Lease-Revenue Bond Debt Service (May Finance Letter).** The Administration requests adjustments to the appropriation item that supports rental payments on lease-revenue bonds to reflect increased reimbursements of \$1.5 million. This is a technical adjustment based on revised estimates for base rental payments, fees and insurance costs.

Does the Subcommittee want to approve all the issues on the consent / vote-only list for the California Workforce Investment Board and the Department of Veterans Affairs?

Vote:

Department Budgets Proposed for Discussion

0559 Secretary for Labor and Workforce Development

The Labor and Workforce Development Agency (Agency) brings together the departments, boards and commissions that train, protect and provide benefits to employees and employers of California, such as unemployment insurance and workers' compensation. The roles and responsibilities of the agency are codified in Chapter 859, Statutes of 2002 (SB 1236). The Labor and Workforce Development Agency includes the Department of Industrial Relations, the Employment Development Department, the Agricultural Labor Relations Board and the Workforce Investment Board. The Agency provides policy and enforcement coordination of California's labor and employment programs and policy and budget direction for the departments and boards.

Proposed Budget: The Governor's January Budget proposes \$2.2 million (all reimbursements from departments) and 13.2 positions for the Secretary's budget – an increase of \$19,000. The Administration did not submit any Budget Change Proposals for this item.

Issue for Discussion

1. Agency-Produced Video News Releases. The Agency expended \$1,815 on a video, which was provided to media outlets, that advocates for meal-period regulations proposed by the Administration. The production of the video involved the following four state entities.

- The Labor and Workforce Development Agency: Produced, distributed, and funded the video.
- The Employment Development Department (EDD): Provided the facility at which the video was produced.
- The Department of General Services: Made the video for a \$1,262 fee.
- The Department Industrial Relations: Posted transcripts of the video on the Department's website.

The Agency and the EDD facility have also been involved with other video news releases. Staff understands the Administration's production of the meal-break video is the subject of a pending lawsuit.

March 10, 2005 Hearing: The Agency defended their production of video news releases, indicating these were the modern equivalent of a paper press release. The Subcommittee held the Agency budget open and requested additional information on the Agency's cost of video news releases.

Administration Response: The Agency sent a letter, dated March 21, 2005, responding to questions raised at the hearing. The Agency indicated that their

actual communications expenditures were \$14,000 in 2003-04 (including costs for telephones, courier services, UPS, Fed Ex etc.). Communications are budgeted for \$23,000 in 2004-05 and \$26,000 in 2005-06. The meal-break video cost the Agency \$1,815, and the Agency indicates the cost of a paper news release varies from \$306 to \$1,191, depending on the research required and the means of dissemination.

Legislative Counsel Opinion: In an opinion dated March 16, 2005, and titled *Use of Public Funds: Video News Release - #0509655*, the Legislative Counsel found that “the Labor and Workforce Development Agency was not authorized to expend public funds, or use other public resources, in connection with the production and distribution of a video news release in support of the meal and break period regulations.”

Other Related Budget Actions: Budget Subcommittee #4 deleted one position and related funding for a position in the Department of General Services Budget that primarily worked on video news releases. An issue in this agenda under the Employment Development Department (EDD) would move EDD’s video production facility to the Department of General Services and make related budget adjustments.

Does the Subcommittee wish to vote to approve the Agency’s Budget?

Vote:

7100 Employment Development Department

The Employment Development Department (EDD) administers services to employers, employees, and job seekers. The EDD pays benefits to eligible workers who become unemployed or disabled, collects payroll taxes, administers the Family Leave program, and assists job seekers by providing employment and training programs under the federal Welfare-to-Work Act of 1997 and Workforce Investment Act of 1998. In addition, the EDD collects and provides comprehensive labor market information concerning California's workforce.

Proposed Budget: The Governor's January Budget proposes \$11.6 billion (\$19.2 million General Fund), a decrease of \$562.3 million (4.6 percent) from the current-year budget. The change is primarily driven by a projected decrease in benefit claims due to improved economic conditions.

EDD Issues Proposed for Consent / Vote Only

- 1. Staffing Reduction Due to Shift of Responsibility to the Federal Government (April Finance Letter #1).** The Administration requests a reduction of \$8.7 million and 112 positions to reflect workload in the foreign-labor certification area that has been shifted from the states to the federal government pursuant to federal requirements.

Background / Detail: Until January 1, 2005, the EDD processed alien labor certification applications from employers seeking workers. The EDD indicates it continued with some workload related to backlogged cases through March 31, 2005. New federal regulations require that the federal government, instead of states, process alien labor certification applications and employers are now submitting applications directly to the federal government. EDD reports all the effected workers are being transferred to fill vacancies within the department.

EDD would retain 24 positions and \$4.1 million for operations not transferred to the federal government in the area of agricultural and temporary labor certification.

Staff Comment: The EDD indicates that shifting the foreign-labor certification workload to the federal government is non-discretionary. Therefore, this budget request is primarily a technical, not policy, adjustment to reflect EDD workload.

Vote:

2. Benefit Adjustments (May FL). The Administration requests budget adjustments (all special funds) to reflect the May 2005 forecast of benefit payments and resulting administrative costs. The adjustments are a result of recent benefit claim levels, and of the updated forecast of future claims. Provisional language in the budget bill allows for expenditures in excess of appropriations for these benefit programs, upon approval by the Director of Finance, if benefit claims exceed the budgeted figures.

- Unemployment Insurance (UI): Benefit payments are estimated to decrease by \$313.4 million in 2004-05 and increase by \$36.1 million in 2005-06. Administrative expenditures are proposed to decrease by 326.1 positions and \$23.1 million.
- Disability Program: Benefit payments are estimated to decrease by \$158.8 million in 2004-05 and decrease by \$144.9 million in 2005-06 – both relative to the figures in the Governor’s January Budget. Administrative expenditures are proposed to decrease by 68.8 positions and \$4.5 million.
- School Employees Fund Program: Benefits are proposed to decrease by \$420,000 in 2004-05 and increase by \$26.8 million in 2005-06 – both relative to the figures in the Governor’s January Budget. No administrative adjustments are proposed.

Staff Comment: No issues have been raised with this request.

Vote:

3. Workforce Investment Act Adjustments (May FL). The Administration requests budget adjustments related to reductions in federal Workforce Investment Act (WIA) funding. WIA supports workforce training with 85 percent of funds programmed by local Workforce Investment Boards and 15 percent of “discretionary” funds at the state level for support of various workforce training efforts. Expenditure reductions are proposed as follows:

- In 2004-05, local assistance is reduced by \$5.8 million and state support is reduced by \$24,000.
- In 2005-06, local assistance is reduced by \$7.6 million and state support is reduced by \$1.2 million. After these adjustments, the local assistance item is \$334.8 million, and the state support item is \$154.0 million.

Staff Comment: No issues have been raised with this request.

Vote:

4. **Underground Economy Enforcement (Budget Change Proposal #8).** The Governor proposes to augment the Employment Development Department by \$2.5 million (EDD Contingent Fund and Disability Insurance Fund) and 23.7 positions (3-year limited-term) to conduct increased enforcement activities against employers who violate labor laws. The EDD indicates this proposal would combat a significant increase in the number of employers attempting to illegally cut operating costs by converting acknowledged employees to independent contractors. Since this effort is expected to identify unreported wages, EDD projects a General Fund benefit of \$780,000 in the first year, and \$1.8 million annually thereafter.

This request is one of three requests from the Administration that make up the “Economic and Employment Enforcement Coalition” proposal. If the proposal is approved, EDD will work with the other proposed coalition members, the Department of Industrial Relations and the Contractors’ State License Board, to reduce underground-economy activity, and in doing so reduce unfair competition for employers who follow labor laws.

March 10, 2005 Hearing: The Subcommittee held this open to coordinate actions with Subcommittee #4, which has purview over the Contractor’s State License Board.

Staff Comment: Budget Subcommittee #4 was supportive of this proposal and approved the related augmentation for the Contractor’s State License Board.

Vote:

5. Employment Training Panel (Governor's Budget and April Finance Letter).

Employment Training Panel (ETP) Program expenditures are proposed at \$36 million in 2005-06, down from \$44 million in 2004-05. The mission of ETP is to provide financial assistance to California businesses to promote customized worker training through partnerships with government, business, and labor. A portion of ETP funds are used annually to support training in the CalWORKs program. The amount of ETP funding for CalWORKs has increased in recent years to offset General Fund reductions.

Control Section 6.60 of the 2004 Budget Act provided for State government workers' compensation savings, up to \$40 million, to be directed to CalWORKs with an equal reduction in the ETP transfer to CalWORKs. The Administration reported, in the Governor's Budget, that this mechanism has resulted in \$16 million for additional ETP grants. The \$16 million is an ongoing benefit to ETP.

Finance Letter Adjustment: The Administration requests a \$391,000 increase in the ETP transfer to CalWORKs and a corresponding \$391,000 reduction to the appropriation for the Employment Training Panel Program. This change is requested to correct an error in the Control Section 6.60 calculation that resulted from double-counting the savings from the Department of Fair Employment and Housing.

Vote:

EDD Issues Proposed for Discussion / Vote

- 1. Video Production Positions & Facility.** The Subcommittee may want to consider transferring EDD's video production facility to the Department of General Services (DGS). EDD operates a video production facility in downtown Sacramento and employs four staff to perform video production work. Some, but not all of this work is related to video news releases. Other workload may include the production of public service announcements, current events notices, newsletters, and training videos. DGS is the state entity charged with providing centralized business services to state departments. The EDD facility might be better managed and more efficiently utilized under the management of DGS.

Background / Detail: EDD employs four individuals at a total cost of \$402,000 to provide video production services to EDD and for other state departments through reimbursement. The video production equipment was partially purchased with federal labor funds, and if the equipment is transferred to DGS, DGS would have to reimburse EDD for the depreciated cost of the equipment to comply with federal regulations.

California Performance Review (CPR) Recommendation: The CPR issued a recommendation titled, "GG43 Reduce State Video Production Costs," which suggested that some state departments were contracting with private vendors for video production work that could be obtained less expensively from other state departments. The CPR talked to five state departments that had purchased video production services from private vendors and found that either: (1) these departments were not aware the state could provide the service, or (2) they found the state agencies with video production capabilities to be unresponsive, difficult to use, or took too much time.

Staff Comment: Consolidating EDD's video production facilities within DGS would create a better one-stop shop for these services, and perhaps lead to efficiencies. Since EDD's facility is in downtown Sacramento, it is near the headquarters of many state departments and convenient for top officials who may appear in these video productions. DGS is a centralized services provider, and may be better able to alert other state agencies to these services and implement all required accounting and reporting requirements.

Vote:

- 2. Workforce Investment Act (WIA) Provision Language (LAO issue):** *In the Analysis of the 2005-06 Budget Bill*, the LAO recommends that the Legislature delete Provision 1 of the WIA Budget Act appropriation that allows the Administration to expend unanticipated “discretionary “ WIA funds without the typical legislative review and normal budget requirements.

Background: WIA funds are federal funds provided to states for labor-force training and development purposes. Fifteen percent of WIA funds, called discretionary funds, can be spent on a range of workforce employment activities (state administration, statewide initiative, current employment services programs, and competitive grant programs) upon appropriation by the Legislature. The remaining 85 percent of WIA funds are allocated to local Workforce Investment Boards. Provision 1 of Item 7100-001-0869 of the 2004 Budget Act exempts the WIA appropriation from Section 28.00 requirements. Section 28.00 of the Budget Act restricts the Administration’s expenditure of unanticipated federal funds and requires 30-day notification to the Legislature.

In December 2004, the Director of Finance notified the Legislature of \$21.7 million in unspent WIA funds from 2003-04. Pursuant to Provision 1, the notification creates expenditure authority without the normal input from the Legislature.

March 10, 2005 Hearing: The Subcommittee kept this item open, at the request of the Administration and the LAO, so compromise language could be further discussed.

Compromise Language: The Administration and the LAO developed compromise language that addresses the LAO’s concern about legislative oversight of unspent WIA discretionary funds and unanticipated new federal funds. In addition, it streamlines the account of administration and program services relative to the requirement of Control Section 28.00. The language is Attachment A at the back of this agenda.

Staff Comment. The compromise language is acceptable to both the LAO and the Administration. Technical conforming changes may be needed for the May Revision WIA Finance Letter (vote-only issue #3).

Vote:

- 3. Nursing Education Initiative (May Finance Letter).** The Administration requests an augmentation of \$10 million: \$5 million from the Employment Training Fund (ETF) (on-going) and \$5 million General Fund (one-time) to provide funding for three projects to encourage people to enter the nursing field. Specifically, the Administration proposes to provide \$2.5 million (General Fund) for Nursing Student Loan Forgiveness; \$2.5 million (General Fund) for Regional Clinical Simulator Grants; and \$5 million (ETF) for Nursing Pre-apprenticeship Programs. The Administration estimates these programs will generate an additional 1,360 nurses each year. Trailer-bill language is associated with this request

LAO Recommendation: The LAO indicates the Administration's proposal does not have a mechanism for informing the Legislature of their success in their charter to meet the demand for Nurses. The LAO recommends, along with the current amendments proposed by the administration, that the following placeholder language be added to Section 9619 of the Unemployment Insurance Code:

The Labor and Workforce Development Agency shall report to the Legislature at the time of budget hearings on the progress and impacts of initiatives related to increasing the training and workforce entry of nurses. This report shall include but not be limited to: (1) each initiative and its target population, (2) total proposed and expended funds for each initiative, (3) the number of participants who entered and completed each program, (4) any related data demonstrating the impact of the programs.

Vote:

7350 Department of Industrial Relations

The objective of the Department of Industrial Relations is to protect the workforce in California, improve working conditions, and advance opportunities for profitable employment. The department enforces workers' compensation insurance laws and adjudicates workers' compensation insurance claims; works to prevent industrial injuries and deaths; promulgates and enforces laws relating to wages, hours, and conditions of employment; promotes apprenticeship and other on-the-job training; assists in negotiations with parties in dispute when a work stoppage is threatened; and analyzes and disseminates statistics which measure the condition of labor in the state.

The Governor's January Budget proposes \$344.1 million (\$63.1 million General Fund), an increase of \$25.1 million from the current-year budget.

DIR Issues for Consent / Vote Only:

- 1. Personal Alarm Devices Mandate (Finance Letter request).** The Administration is requesting the addition of the Personal Alarm Devices mandate to DIR's mandate item in the budget bill. This mandate was erroneously omitted from the Governor's proposed budget bill. The Administration proposes to suspend this mandate for 2005-06, which is the same action approved by the Legislature for the 2004-05 budget. The mandate requires every fire fighter engaged in fire fighting activities, as specified, to have an alarm device which will activate if the fire fighter is motionless for 20 to 40 seconds. Suspending the mandate makes the activity optional for local governments during the budget year. Since this mandate has been suspended for many years, the annual cost of this mandate (if it was not suspended) is unknown.

Staff Comment: No concerns have been raised with this issue.

Vote:

2. Economic and Employment Enforcement Coalition (BCP #1 & 2, FL #3). The Governor proposes an augmentation of \$3 million (special funds) and 27.5 positions (three-year limited term) to conduct increased enforcement activities against employers who violate labor laws. The DIR would use these additional positions to increase inspection activity and issue citations and penalties to employers who keep employees “off the books” and/or do not follow workplace safety regulations. The following two DIR Divisions are included in this request:

- The Division of Labor Standards Enforcement (BCP #1) would receive \$1.5 million and 16 positions for investigation, enforcement, and collection activities associated with labor-law violations in the areas of workers’ compensation, minimum and overtime wages, and licensing compliance. These positions would be funded from the Uninsured Employers Benefits Trust Fund, the Garment Industry Regulation Fund, and the Unpaid Wage Fund. The Division is 80-percent funded by the General Fund, and past General Fund reductions have reduced staffing from 493 in 2001-02 to 403 in 2003-04.
- The Division of Occupational Health and Safety (BCP #2) would receive \$1.5 million and 13 positions for targeted enforcement of workplace health and safety laws for the following industries with higher levels of non-compliance: construction, agriculture, and garment manufacturing. These positions would be funded from the Targeted Inspection & Consultation Fund and the Industrial Relations Unpaid Wage Fund. DIR reports funding for field enforcement positions has declined in recent years – with 245 positions funding in 2001-02 and 209 positions funded in 2004-05.

The Employment Development Department and the Contractors’ State License Board are the other members of the proposed Economic and Employment Enforcement Coalition.

March 10, 2005 Hearing: The Subcommittee held this open to coordinate actions with Subcommittee #4, which has purview over the Contractor’s State License Board.

Finance Letter 3 Adjustments: The Administration submitted an April Finance Letter requesting revisions to budget bill language to clarify that the Unpaid Wage Fund could be used to fund the Economic and Employment Enforcement Coalition. The language below is consistent with the stated intent in BCP #1 and #2.

7350-001-0913

Provisions:

"1. Notwithstanding any other provision of law, funds appropriated by this item shall be expended by the Department of Industrial Relations Division of Labor Standards Enforcement and the Division of Occupational Safety and Health to administer: (1) the Targeted Industries Partnership Program to increase enforcement and compliance in the agricultural, garment, and restaurant industries; and (2) the

Economic and Employment Enforcement Coalition (Underground Economy Enforcement Program)."

Staff Comment: Budget Subcommittee #4 was supportive of this proposal and approved the related augmentation for the Contractor's State License Board. The amendments to budget bill language requested in Finance Letter #3 are consistent with the stated intent of the January proposal.

Vote:

Department of Industrial Relations: Issues for Discussion and Vote

- 1. Unpaid Wage Fund Transfers to the General Fund (FL #3).** The Administration requests changes to statute and a new budget bill transfer item to change the mechanism for transferring surplus reserves in the Unpaid Wage Fund (UWF) to the General Fund. Additionally, the new language would change the reserve requirement from \$200,000 to a six-month reserve.

Background / Detail: The UWF was created in 1975 as a fund for the deposit of unpaid wages or benefits collected by the Labor Commissioner. The monies are remitted to the unpaid worker, unless that worker cannot be located. The Labor Code includes a provision that requires the transfer of balances over \$200,000 in the UWF to the General Fund. The Administration argues that the \$200,000 reserve has not been adjusted for inflation and is no longer a sufficient reserve. In 1993-94, provisional language was added to the budget bill to allow UWF to be used for the Targeted Industry Partnership Program (TIPP) to increase enforcement and compliance in the agricultural, garment, and restaurant industries. This year, the Administration has requested authority to allow UWF to be used also for the Economic and Employment Enforcement Coalition (see vote-only issue #2 on the prior pages).

The Administration reports that \$1.8 million was transferred from the UWF to the General Fund in 2002-03. No transfers were made in 2003-04, but a \$4.0 million transfer will occur in 2004-05. Ongoing annual transfers to the General Fund are expected to be in the \$1 million to \$2 million range, however, the 2005-06 transfer may be less due to some one-time expenditures.

The proposed statutory amendments are Attachment B at the back of this agenda.

The proposed new budget bill item as follows:

7350-011-0913—For transfer by the Controller, upon order of the Director of Finance, from the Industrial Relations Unpaid Wage Fund, to the General Fund.....(\$1,000)

Provisions:

- 1. Notwithstanding any other provision of law, the State Controller shall transfer to the General Fund the unencumbered balance, less six months of expenditures, as determined by the Director of Finance, in the Industrial Relations Unpaid Wage Fund as of June 30, 2006.*

Staff Comment: The Administration’s proposed language deletes the General Fund transfer language from statute and adds modified language to the budget bill. Since this is intended to be an ongoing transfer, the Subcommittee may want to additionally add the six-month balance requirement to statute.

Vote:

- 2. Re-establish Positions and Reappropriate Funds (FL #1).** The Administration requests the re-establishment of up to 274.3 positions added to implement workers' compensation legislation, which have been vacant more than six months and are subject to elimination by Government Code 12439. No new funding is requested for these positions as the Government Code eliminates positions but does not reduce budgetary authority. The Department indicates these vacancies have resulted from delays in implementing specific components of recent workers' compensation reforms, and delays in the hiring process. Additionally, the Administration requests a reappropriation of \$990,000 (Workers' Compensation Administration Revolving Fund) for one-time costs related to an office move and file destruction.

Background / Detail: To address new workers' compensation reform workload, the 2003-04 budget added 72 positions and the 2004-05 budget added an additional 314 new positions. DIR received partial-year funding (9 months) for these positions in 2004-05, because some positions were established after July 1, 2004. As of February 1, 2005, 274.3 of these positions were still vacant. These positions were added to DIR's budget to implement recent workers' compensation reform bills: AB 749 (Chapter 6, Statutes of 2002, Calderon); SB 228 (Chapter 639, Statutes of 2003, Alarcón); and SB 899 (Chapter 34, Statutes of 2004, Poochigian). DIR anticipates saving of approximately \$15 million in 2004-05 due salary savings.

To implement this proposal, the Administration requests approval of the following budget bill language:

7350-001-0223

Provisions:

X. Notwithstanding any other provision of law, upon approval of the Department of Finance, the State Controller's Office shall re-establish up to 274.3 vacant positions within the Department of the Industrial Relations provided for the implementation of Workers' Compensation Reforms (Ch.6/02; Ch. 639/03; Ch. 34/04).

New Item

7350-491—Reappropriation, Department of Industrial Relations. Up to \$990,000 of the appropriation provided in Item 7350-001-0223, Budget Act of 2004 (Ch. 208, Stats, 2004), is reappropriated and shall be available for expenditure until June 30, 2006.

Provision:

1. Up to 274.3 vacant positions expiring pursuant to Government Code 12439 provided to implement workers' compensation reforms may be re-established upon approval of the Department of Finance.

Staff Comment: Approving this request is consistent with the action taken last year that added these positions. The Department indicates the workload has not diminished and these positions are still necessary.

Vote:

3. **Division of Labor Standards Enforcement Positions (Staff Issue).** Assembly Budget Subcommittee #4 augmented the DIR budget by \$1.5 million (General Fund) to add 16 positions and increase enforcement activity. The Assembly also adopted provisional language specifying that the \$1.5 million cannot supplant other funding, and adopted supplemental report language requiring annual reporting on the effectiveness of the Department's labor enforcement efforts (the language is Attachment C to this agenda).

Background: The Bureau of Field Enforcement is part of the Department of Industrial Relations' Division of Labor Standards Enforcement. The Bureau is responsible for investigation and enforcement of statutes covering workers' compensation insurance coverage, child labor, cash pay, unlicensed contractors, Industrial Welfare Commission orders, as well as group claims involving minimum wage and overtime claims. The Governor's January Budget includes 407.1 positions costing \$22 million to staff the entire Division of Labor Standards. According to the Department of Industrial Relations, \$1.5 million would be enough funding to pay for an additional team of field investigators of 16 staff.

Staff Comment: The California Rural Legal Assistance Foundation has requested that the Subcommittee appropriate \$5 million for additional field enforcement. The Governor's Budget proposed a \$1.5 million and 16 position augmentation for the enforcement using special fund revenue (see vote-only issue # 2 on page 15). Notwithstanding the merits of additional enforcement, the additional \$5 million augmentation would be General Fund, and as such, should be considered relative to other General Fund priorities.

Vote:

Attachment A - Proposed Budget Bill Language for the Workforce Investment Act Governor’s Discretionary Funds:

Item 7100-001-0869—For support of state programs under the Workforce Investment Act (WIA), Employment Development Department, payable from the Consolidated Work Program Fund.....155,286,000

Schedule:

| | | |
|-----|--|------------|
| (1) | 61.35 WIA Administration and Program Services..... | 27,786,000 |
| (2) | 61.40 WIA Growth Industries..... | 4,600,000 |
| (3) | 61.50 WIA Industries with a Statewide Need..... | 14,200,000 |
| (4) | 61.60 WIA Removing Barriers for Special Needs Populations..... | 18,100,000 |
| (5) | 61.70 WIA Rapid Response Activities..... | 45,600,000 |
| (6) | 62.10 National Emergency Grant Program..... | 45,000,000 |

Provisions:

1. Provision 1 of Item 7100-001-0588 also applies to *schedules (1) and (5)* of this item.
2. *For Schedules (2), (3), and (4); the Employment Development Department shall submit on October 1, 2005 and April 20, 2006, to the Department of Finance for its review and approval, an estimate of expenditures for both the current and budget years, including the assumptions and calculations underlying the Employment Development Department’s projections for expenditures to these schedules. To the extent the Employment Development Department identifies unspent or receives unanticipated additional federal Workforce Investment Act (WIA) 15 percent discretionary funds, the Department of Finance may increase expenditure authority for schedules (2) though (4) inclusive, if the additional funding (1) is consistent with the expenditure plan for WIA discretionary funds in this item and (2) meets the four requirements specified in Section 28.00 (b) of this Act. Any augmentation that exceeds two-hundred fifty thousand dollars (\$250,000) may be authorized not sooner than 30 days after notification in writing is provided to the chairpersons of the committees in each house that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine.*
3. The Secretary Labor and Workforce Development is authorized to transfer up to \$500,000 of the funds appropriated in this item to the California Workforce Investment Board, Federal Trust Fund, Item 7120-001-0890, to facilitate the implementation and operation of the WIA Program. Any transfer made pursuant to this provision shall be reported in writing to the Department of Finance, the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee within 30 days of the date of the transfer.
4. Notwithstanding any other provision of law, the Secretary of Labor and Workforce Development is authorized to transfer funds between categories (Schedules (1) to (4), inclusive) as included in the Schedule to be used for projects. Any transfer made pursuant to this provision shall be reported in writing to the Department of Finance, the chairpersons of the fiscal committees of each house and the Chairperson of the Joint Legislative Budget Committee within 30 days of the date of the transfer.

**Attachment B - Department of Industrial Relations
Administration-Proposed Trailer Bill Language**

96.7. The Labor Commissioner, after investigation and upon determination that wages or monetary benefits are due and unpaid to any worker in the State of California, may collect such wages or benefits on behalf of the worker without assignment of such wages or benefits to the commissioner.

(a) The Labor Commissioner shall act as trustee of all such collected unpaid wages or benefits, and shall deposit such collected moneys in the Industrial Relations Unpaid Wage Fund.

(b) The Labor Commissioner shall make a diligent search to locate any worker for whom the Labor Commissioner has collected unpaid wages or benefits.

(c) All wages or benefits collected under this section shall be remitted to the worker, his lawful representative, or to any trust or custodial fund established under a plan to provide health and welfare, pension, vacation, retirement, or similar benefits from the Industrial Relations Unpaid Wage Fund.

(d) Any unpaid wages or benefits collected by the Labor Commissioner pursuant to this section shall be retained in the Industrial Relations Unpaid Wage Fund until remitted pursuant to subdivision (c), or until deposited in the General Fund pursuant to subdivision (e).

~~(e) Whenever the balance in the Industrial Relations Unpaid Wage Fund is in excess of two hundred thousand dollars (\$200,000), the Labor Commissioner shall transmit this excess amount to the Controller for deposit in the General Fund.~~

(f) All wages or benefits collected under this section which cannot be remitted from the Industrial Relations Unpaid Wage Fund pursuant to subdivision (c) because money has been transmitted to the General Fund pursuant to subdivision (e) shall be paid out of the General Fund from funds appropriated for that purpose.

**Attachment C - Department of Industrial Relations
Provisional Language to Augment Fair Labor Standards Enforcement**

Add Provision 2 to Item 7350-001-0001:

2. *Of the amount provided in Schedule (6), \$3,000,000 shall be solely expended for additional field enforcement efforts by the Labor Commissioner and the Bureau of Field Enforcement regarding minimum wage and overtime law compliance in construction, agriculture, garment manufacturing, janitorial and restaurant employment.*
- (a) The department is authorized to establish positions for the purposes of expanding the additional field enforcement efforts.*
 - (b) The new funds shall be divided equally between urban and rural enforcement efforts;*
 - (c) The new enforcement efforts funded by the augmentation shall not be used to supplant funding previously intended by Division of Labor Standards Enforcement to go into field enforcement activities for this fiscal year.*
 - (d) The Department shall provide the Legislature with a description of additional minimum wage and overtime law compliance activities undertaken with this augmentation, as well as an assessment of whether a continued special focus on minimum wage and overtime law compliance is warranted. This update shall be provided during budget hearings.*

Proposed Supplemental Report Language:

The Labor Commissioner shall report annually at the time of budget hearings on the effectiveness of the Bureau of Field Enforcement. The report shall include a description of additional minimum wage and overtime law compliance activities as well as an assessment of whether a continued special focus on minimum wage and overtime law compliance is warranted.

Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 5

Agenda

Gloria Romero, Chair
John Campbell
Mike Machado



PART B

Thursday, May 19, 2005
Upon Adjournment of Session
Room 112

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

0690 Office of Emergency Services

OES Issues Proposed for Vote-Only

1. New Headquarters Perimeter Fencing.

Budget Request. This proposal requests funding of \$1,493,000 from the General Fund for the construction phase of the installation of steel tube perimeter fencing at the new OES headquarters.

Staff Comments. The Subcommittee held this issue open on April 7, pending additional information concerning whether this project could be funded with federal monies. The OES has indicated that this project would not be eligible for federal funds.

2. Grant Administrative Workload Increase.

Budget Request. This proposal requests 9 positions to address workload increases created by the closure and programmatic transition of OCJP criminal justice programs and the addition of the Office of Homeland Security to OES. OES administrative staff has been unable to adequately support fiscal operations necessary to support ongoing emergency management programs, and the new homeland security and criminal justice grant programs. OES indicates that funding in the amount of \$605,000 will be redirected from within existing resources for these positions.

Staff Comments. The Subcommittee held this issue open on April 7, pending additional information concerning workload at the OES. The OES has indicated that it has not been able to meet mandated timelines for administrative functions related to grants.

3. May Revise. Adjustment to the Nuclear Planning Assessment Special Account.

May Revise Request. This Finance Letter proposes an increase of \$81,000 from the Nuclear Planning Assessment Special Account. This is an annual adjustment based on economic changes reflected in the California Consumer Price Index.

4. May Revise. Disaster Response and Recovery Funding.

May Revise Request. This Finance Letter proposes an increase of \$35 million to provide funding for the estimated costs of response to and recovery from two recent federally-declared disasters, know as the 2005 Winter Storms, and the 2005 February Flood/Mudslide. These amounts represent the state share of the costs of disaster recovery and response, as defined in the California Disaster Assistance Act.

Staff Comments. No additional issues have been raised concerning the items on the proposed vote-only list.

Action

OES Discussion Issues**1. May Revise. Fire Engines for Mutual Aid Response.**

May Revise Request. This Finance Letter proposes an increase of \$5 million from the General Fund to purchase new fire engines for mutual aid response consistent with the recommendations of the Blue Ribbon Commission. After the October 2003 Southern California Wildfires, the Blue Ribbon Commission was formed. Recommendation #6 of the report recommends that the state develop a program to fund the acquisition of 150 additional OES fire engines and the requisite logistical support. This request would fund the purchase of 19 additional engines.

Analyst's Recommendation. The LAO notes that the administration has requested funding for the California Department of Forestry and Fire Protection (CDF) to also purchase fire trucks. Some of the proposed OES fire trucks are the same as the proposed CDF fire trucks. In procuring the fire trucks, the LAO believes that OES and CDF could achieve some savings if they were to collaborate on their fire truck purchases. For this reason, the LAO recommends that the Legislature adopt the following budget bill language:

It is the intent of the Legislature that the Office of Emergency Services and the California Department of Forestry and Fire Protection, with assistance from the Department of General Services, collaborate to the extent possible in the purchasing of fire trucks.

Action

2. May Revise. Establish Office of Homeland Security as a New Agency

May Revise Request. This Finance Letter proposal consists of the following:

- \$7.4 million in federal funds and 21 positions for additional support of OHS activities.
- \$22 million in federal funds for state operations.
- \$117 million in federal funds for local assistance.
- Trailer bill language to establish OHS as a separate department and various budget bill provisions which would spilt the funding of OHS activities between the OES (from 7/1/05 to 12/31/05) and OHS (from 1/1/06 to 6/30/06).

Analyst's Recommendation. The LAO has not have any issues with the proposed staffing and funding increases. However, the LAO has raised concerns with the proposed trailer bill language. First, the LAO indicates that there are a number of significant policy issues related to the authorization of OHS which deserve policy consideration by the Legislature. For example, the administration is proposing establishing OHS as a separate standalone department. The LAO notes that Legislature may wish to consider other alternatives such as authorizing OHS to be over OES (which would be similar to the federal Department of Homeland Security model) or continuing to have OHS as a part of OES (which would be consistent with the current situation). In addition, the LAO indicates that the proposed trailer language contains some significant policy issues such as allowing OHS to (1) issue search warrants and (2) be exempt from the entire Administrative Procedure Act. In the view of the LAO, both of these policy issues require significant legislative input which is not typically provided through the budget committee process. For these reasons, the LAO recommends that the Legislature reject the proposed trailer bill and direct the administration to seek approval of the language through a policy bill.

Action.

3. May Revise. State Antiterrorism Funds

The Governor's Budget provided \$100,000 from the Antiterrorism Fund for state grant administrative costs that were not covered by the federal grants. The May Revision proposes to reduce the state operations appropriation by \$90,000 and then allocate the \$90,000 to local assistance.

Analyst's Recommendation. The LAO indicates that it is not clear why this change is being proposed, noting that there is no proposed language to create a state funded grant program. For that reason, the LAO recommends that the Legislature eliminate the \$90,000 in local assistance and increase the state operations by \$90,000 to reflect the Governor's January budget proposal.

Action.

0552 Office of the Inspector General

OIG ISSUES

1. May Revise. Workload Budget for the OIG.

May Revise Request. This Finance Letter proposes an increase of \$4.1 million General Fund and 23.4 positions based a methodology developed to produce a workload-based budget as required by Chapter 733, Statutes of 2004. The new workload adjustments are based on the development of workload standards for position classifications and estimates of the number of reviews and investigations performed.

Workload Increases. A total of 8.8 positions are requested for the Bureau of Audits and Investigations (BAI), including 4.8 Deputy Inspector Generals (DIGs) 1 DIG IN-Charge, 1 Associate DIG and 2 Management Services Technicians. Estimates anticipate that the BAI will conduct 14 special reviews, 4 follow-up reviews of management review audits, 14 follow-up reviews on special reviews, 18 investigations of retaliation inquiries and criminal administrative cases, and 5,670 intakes or initial reviews of complaints and requests filed.

A total of 12 positions are requested for the Bureau of Independent Review (BIR), including 11 DIG positions and 1 Executive Secretary. The BIR's focus will be on internal affairs. Estimates anticipate that BIR will conduct 1,256 Category II investigations, 250 Category I investigations, 36 in-custody death investigations, and 100 Serious Medical Reviews, and that the central intake function will contribute 1,788 hours of annual workload to determine where cases should be investigated. The request also includes 3 administrative positions.

2. May Revise. Workload Associated with the YACA Reorganization.

May Revise Request. This Finance Letter proposes \$3.4 million General Fund and 18.9 positions to implement additional workload resulting from the Youth and Adult Correctional Agency Reorganization. The funding will allow the OIG to perform pre-appointment reviews of prospective wardens, audits of each correctional institution at least once every four years, and a one year post-appointment audit of new wardens mandated in SB 737.

Staff Comments. The LAO notes that the positions for both of these requests are budgeted at top-step rather than budgeted at mid-step. The LAO indicates that budgeting these positions at mid-step would provide General Fund savings of \$982,000.

Action.

5460 Department of the Youth Authority

CYA ISSUES PROPOSED FOR VOTE-ONLY

1. May Revise. Ward/Parole Population Adjustment

May Revise Request. This Finance Letter proposes a net decrease of \$3,251,000 to reflect revisions in the projected growth of ward and parole populations. This decrease is composed of an increase of \$10,136,000 General Fund, a decrease of \$3,554,000 General Fund Proposition 98, and a decrease of \$9,833,000 in Reimbursements.

Adjusted for recent population trends, the May Revision reflects an estimated year-end ward population of 2,616, a decrease of 715 wards than projected in the 2005-06 Governor's Budget. The projected year-end parolee population is now estimated to be 3,375, a decrease of 75 parolees below the numbers assumed in the January budget. However, the estimates reflect an increase in the number of parolees that require more staff intensive re-entry services; therefore, the cost of overseeing Youth Authority parolees has increased by \$118,000. This adjustment also reflects an increase of \$3,449,000 General Fund to correct an error in the way the California Youth Authority (CYA) budgeted prior year institution closures.

2. Meet Educational Needs for Wards in Special Management Programs

Finance Letter Request. This Finance Letter proposes an increase of \$555,000 General Fund and 6 Youth Correctional Officer positions to replace the use of Special Program Areas with the presence of a Youth Correctional Officer in classrooms where there are wards in Special Management Programs.

3. May Revise. Lease Revenue Adjustment

May Revise Request. This Finance Letter proposes an increase of \$154,000 General Fund, and a decrease in Reimbursements of \$166,000 associated with Lease Revenue Bond debt service adjustments that were reflected in a set aside Item in the January 10 Budget, related to Control Section 4.30.

4. May Revise. Updated Debt Service Payment.

May Revise Request. This Finance Letter proposes a decrease of \$19,000 General Fund and an increase in Reimbursements of the \$19,000 to reflect a reduction in base rental fees due to an updated debt service payment schedule for lease revenue funded projects.

5. Technical Adjustment to Change Funding Source for County Reimbursements

Finance Letter Request. This Finance letter requests an increase of \$24,976,000 General Fund and a decrease of \$24,976,000 Reimbursements to reflect the permanent change of budgeting the amounts received from the counties as revenues instead of reimbursements. The DOF indicates

that this technical adjustment will address cash flow and administrative problems experienced by the Department.

6. May Revise. Budget Bill Language Related to Loans.

May Revise Request. This Finance Letter proposes to delete budget bill language related to General Fund loans to CYA for operational cashflow obligations. An April 1 Finance Letter requested that county sliding-scale reimbursements be budgeted as revenue rather than reimbursements, with this change, the loan authority in this provision will no longer be needed.

Delete the following language:

2. Notwithstanding any other provision of law, the Director of Finance may authorize a loan from the General Fund to the Department of the Youth Authority for the purpose of meeting operational cashflow obligations for the 2005-06 fiscal year. The loan shall not exceed the estimated amount for uncollected reimbursements pursuant to Chapter 6 of the Statutes of 1996, for the final quarter of any fiscal year in which the loan is to be provided.

7. May Revise. Loan Forgiveness.

May Revise Request. This Finance Letter requests that language be added to specify that a General Fund loan provided to the CYA in fiscal year 2003-04 shall not be repaid. The forgiveness of this loan was included in the Governor's Budget calculations, however, this technical language was inadvertently left out of the proposed Budget Bill.

5460-403—Of the amount loaned pursuant to Provision 2 of Item 5460-001-0001, Budget Act of 2003, (Ch. 157, Stats. 2003), \$4,800,000 will not be required to be repaid.

8. Finance Letter. Post Relief Factor

Finance Letter Request. This Finance Letter proposes an increase of \$6,579,000 General Fund and 65.8 positions to augment the funding provided for relief of posted positions. This increase is primarily attributable to an increase in the relief needed to fund the accrual amounts for vacation and sick leave for posted positions.

Of the proposed new positions, 11.9 are Youth Correctional Officers; 5.9 are Sergeants; 5.4 are Lieutenants; 30.5 are Youth Correctional Counselors; and 12.1 are Senior Youth Corrections Counselors.

9. Improvements in the Hiring Process

Finance Letter Request. This Finance Letter proposes an increase of \$750,000 General Fund and nine positions to provide additional resources to recruit, test, and hire qualified staff. The funding would provide (1) two recruiter positions and 2 office technician positions to establish a recruitment program and a permanent testing center, (2) funding to contract with a chief psychologist and interviewing psychologists to conduct peace officer psychological screening evaluations (currently these screenings are performed by the State Personnel Board), and (3) two physical testing & evaluation specialists.

10. Substance Abuse Treatment Funding

Finance Letter Request. This Finance Letter proposes an increase of \$1,417,000 General Fund to backfill lost federal funds that were previously used to fund substance abuse treatment programs. This funding will continue the current drug treatment programs at CYA with the existing funding level. The CYA indicates that any changes to this program will be contemplated as part of the Remedial Plans that are filed with the court in November 2005.

11. Budget Packages and Advance Planning.

Budget Request. The budget proposes \$250,000 for capital outlay budget packages and advanced planning. This is the level historically provided to the department for the annual development of capital outlay plans and budget requests.

12. Fire Protection Sprinkler Systems.

Budget Request. The budget proposes \$646,000 for preliminary plans to install fire protection sprinkler systems in housing units and buildings. Total costs for this project are estimated at \$13.6 million. The CYA indicates that this request is a fire, life safety issue. The Subcommittee previously held this item due to concerns that upgrades would be made to facilities that would no longer be used by the CYA. The CYA has indicated that this is funding for preliminary plans and that it will prioritize projects where the need is greatest and in facilities that it plans to continue to use.

13. Central Kitchen Renovation of Floor and Blast Chillers.

Budget Request. The budget proposes \$197,000 for preliminary plans and working drawings to replace existing concrete floor and blast chiller system at Northern California Youth Correctional Center. Total costs are estimated at \$1.2 million. The CYA indicates that this project is a high priority. This kitchen provides food for multiple facilities, and the current floor is in danger of collapsing.

14. Minor Capital Outlay Projects.

Budget Request. The budget proposes \$2.5 million for minor capital outlay projects statewide. This amount is similar to the amount in the current year.

Staff Comments. No issues have been raised concerning the proposed Vote-Only issues.

Action.

CYA ISSUES RELATED TO FARRELL SETTLEMENT PROPOSED FOR DISCUSSION**1. Farrell Remedial Plans.**

The administration has proposed funding for four remedial plans that have been adopted by the court -- Education, Sex Offender Treatment, Disabilities, and an Interim Mental Health. The funding requested totals \$23.9 million in the budget year, of which \$14.8 million in from Proposition 98 funds. In addition, the CYA reports that it will file the Mental Health and Rehabilitation Remedial Plan and the Ward Safety and Welfare Remedial Plan to the court by November 30, 2005.

Educational Remedial Plan Resources. This Finance Letter proposes an increase of \$17,088,000 General Fund, of which \$14,786,000 is Proposition 98 and \$2,302,000 is non-Proposition 98, is requested to implement the Education Remedial Plan required by the *Farrell v. Allen* lawsuit and submitted to the Court on March 1, 2005. The funding would include funds for 208 new positions to begin adjusting the ward to teacher ratios to the levels in the Remedial Plan by the end of the 2006-07 fiscal year. Of the new positions requested 80 are teacher positions, 10 are special education teachers, and 40 are teaching assistants.

Interim Mental Health Remedial Plan Resources. This Finance Letter proposes an increase of \$1,215,000 General Fund and 14.7 permanent intermittent positions to implement the Mental Health Interim Remedial Plan required by the *Farrell v. Allen* lawsuit and submitted to the court on April 8, 2005. The funding in this proposal is intended to address the most critical mental health delivery needs. A final Mental Health and Rehabilitation Remedial Plan will be filed with the courts by November 30, which will include proposals for programmatic changes. The interim plan would provide funds to implement suicide watch improvements and provides \$200,000 to continue and expand the Ward Core Journal Program.

Sex Offender Treatment Remedial Plan Resources. This Finance Letter proposes an increase of \$2,464,000 General Fund and 19 positions to implement the Sex Offender Treatment Remedial Plan required by the *Farrell v. Allen* lawsuit that was submitted to the court on May 16, 2005.

Disability Remedial Plan Resources. This Finance Letter proposes an increase of \$3,108,000 General Fund and 12 positions to implement the Disability Remedial Plan required by the *Farrell v. Allen* lawsuit that will be submitted to the court on May 16, 2005.

Analyst's Recommendation. The LAO indicates that the proposals generally address the issues identified in the related expert reports and remedial plans. However, in light of the level of expenditures proposed and anticipated, the LAO recommends that the Legislature adopt Supplemental Report Language requiring the department to report on its progress in meeting the goals and objectives of each of the remedial plans funded in the budget. In addition, for the Disability Remedial Plan, the DOF indicates that the plan includes 1.9 positions and \$173,000 related to ADA coordinators for parole offices. Since the parole offices are not part of the remedial plan, those positions should be reduced from the request.

5460-001-0001. The Department of the Youth Authority shall report to the fiscal committees of the Legislature and the Legislative Analyst's Office on or before December 1, 2005 on the implementation of the *Farrell v. Allen* remedial plans. The report shall include, but is not limited to, the following information. For the education remedial plan, the department shall report on the number of filled new positions and the status of negotiations with the union regarding retention and recruitment bonuses. For the sex offender plan, the department shall report on (1) the number of wards requiring inpatient and outpatient services; (2) the number of sex offender beds that are filled and the number that are available; and (3) the plan to evaluate the effectiveness of the program. For the disabilities remedial plan, the department shall also report on its progress completing the nine projects identified for completion in 2005-06. For the mental health and rehabilitation remedial plan, the department shall report (1) how it is currently evaluating the effectiveness of the Ward Core Program journals; (2) the progress made to date on the development of the second journal in the series; and (3) how many wards are projected to use the second journal.

Action.

2. May Revise. Proposed Budget Bill Language Regarding *Farrell v. Allen* Remedial Plans Due to Court During Fiscal Year 2005-06—

May Revise Request. This Finance Letter proposes Budget Bill language that would authorize the Director of Finance to increase the amount appropriated, with specified notice to the Legislature, for purposes of implementing any remedial plans that are required to be submitted to the court during the 2005-06 Fiscal Year to comply with the *Farrell v. Allen* lawsuit. Three plans, the Final Medical Care Remedial Plan, Final Mental Health Remedial Plan, and General Ward Safety and Welfare Remedial Plan, are due to the court during the fall of 2005. Until these plans are complete, the fiscal implications will not be known. However, it is expected that the court will require implementation of the plans shortly after submittal.

X. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures in this item in excess of the amount appropriated for purposes of implementing the Medical Care Remedial Plan, Mental Health Remedial Plan, and General Ward Safety and Welfare Remedial Plan that will be submitted to the court during fiscal year 2005-06 for purposes of compliance with the consent decree in *Farrell v. Allen*, and for no other purpose. The Director of Finance may not approve any expenditure unless the approval is made in writing and filed with the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house that considers appropriations no later than 30 days prior to the effective date of approval, or prior to whatever lesser time the chairperson of the joint committee, or his or her designee, may determine. As part of the approval process the Department of Finance shall provide a detailed written justification for the requested funding to the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee on each house that considers appropriations.

Action.

3. May Revise. Juvenile Justice Reform

May Revise Request. This Finance Letter proposes an increase of \$3.1 million and 20 positions to provide resources to begin implementation of a major reform of juvenile justice in California, particularly the state's approach to addressing youthful offenders who pose the greatest risk to public safety.

Related Finance Letter Request -- Programmatic Review of CYA Facilities. The administration has also proposed \$1 million in the CYA budget for a programmatic review of CYA Facilities.

Together, these proposals request \$4.1 million to develop a plan for reforming the juvenile justice system. Of the total amount, these proposal request \$2.4 million for 20 staff positions, \$1.5 million in contract funding for facilities assessment and planning workload, and \$200,000 in contract funding for subject matter experts.

Analysts Recommendation. The LAO recommends a reduction of \$660,000 from the staffing. This amount reflects budgeting the positions at mid-step for a 6-month period. The LAO notes that using the mid-step is consistent with standard budgeting practices, and notes that the 6-month period may be a more realistic timeframe for filling positions.

Action.

CYA ISSUES RELATED TO FARRELL SETTLEMENT PROPOSED FOR CONSENT / VOTE-ONLY**1. Farrell v. Allen Consent Decree Monitoring Costs**

Finance Letter Request. This Finance Letter proposes an increase of \$1,730,000 General Fund to pay for costs related to oversight, monitoring, and implementation of the activities required by the consent decree. This request also includes budget bill language providing authority to augment this item to pay for the cost of attorney fees pursuant to the consent decree.

2. Ward Information Network

Finance Letter Request. This Finance Letter proposes an increase of \$1,062,000 General Fund and 5 positions to update the Ward Information Network information technology system to ensure that CYA has access to ward data needed to implement various aspects of the *Farrell v. Allen* lawsuit.

3. Use of Force Management and Review Process

Finance Letter Request. This Finance Letter proposes an increase of \$360,000 General Fund and 3.8 Associate Government Program Analyst positions to improve the monitoring and evaluation of use of force incidents in CYA facilities. This funding is intended to comply with the *Farrell v. Allen* lawsuit.

4. Ward Grievance System

Finance Letter Request. This Finance Letter proposes an increase of \$1,109,000 General Fund and 12 positions to improve the system for addressing ward grievances at CYA facilities. This funding is needed to comply with the *Farrell v. Allen* lawsuit. The experts reported problems with the grievance system include responses not being timely or adequate, and that wards have lost faith in the ability to obtain a fair resolution through the system.

5. Comprehensive Classification System

Finance Letter Request. This Finance Letter proposes an increase of \$250,000 General Fund to develop assessment instruments that measure the level of risk and needs of the wards and classify wards according to custody and security levels. The request budgets ongoing annual costs of \$30,000 for the classification system. The department indicates that these tools will be critical in implementing various aspects of the *Farrell v. Allen* lawsuit. The department indicates that this funding is requested as part of a long-term plan for a new classification system.

Staff Comments. No issues have been raised concerning these vote-only issues related to the Farrell consent decree.

Action

OTHER CYA DISCUSSION ITEMS**1. DNA Request**

Budget Request. The budget proposes an increase of 1 position and \$525,000 in one-time funding for costs associated with the implementation of the new Proposition 69 DNA initiative passed by the voters in November 2004.

Issue. The CYA has indicated that it plans to collect buccal samples from parolees beginning in the budget year. The request assumes that parole agents will require overtime pay to collect the DNA samples. The LAO notes that parole agents currently collect drug test samples from parolees while they are performing their monthly parole contact visits.

LAO Recommendation. The LAO notes that one advantage of the buccal swab is its ease of use. The LAO recommends a reduction of \$40,000 for parole agent costs, consistent with the action taken in the CDC budget.

Action.

2. Training Needs Assessment and Training Resources

Finance Letter Request. This Finance Letter proposes an increase of \$1.5 million General Fund to conduct a comprehensive assessment of the staff training necessary to implement various aspects of the *Farrell v. Allen* lawsuit and to provide backfill funding to train staff in posted positions once the needs assessment is complete and the training delivery method is determined.

The request includes \$500,000 on a one-time basis to contract for a training needs assessment. The department indicates that the assessment will identify the gap between currently mandated training and the new training requirements mandated in remedial plans.

In addition the proposal requests \$1 million on an on-going basis to pay for design and development of curricula for the training identified in the needs assessment and for any back-up or overtime needed to pay for posted staff to attend training beyond 40 hours annually.

Action

0550 Secretary for Youth & Adult Correctional Agency

YACA DISCUSSION ISSUES

1. New Budget Display for the Department of Corrections and Rehabilitation.

May Revise Request. As part of the May Revise, the administration has proposed a new budget display for the reorganized Department of Corrections and Rehabilitation. The proposed budget display combines all of the Budget Items for the departments within the Youth and Adult Correctional Agency (YACA) into a new Budget Item. The appropriations for the department are combined in one new program budget display. The numbers printed in this agenda are for display purposes and conform to the amounts in the Governor’s May Revise proposal, and do not take into account actions taken by the Subcommittee.

5225-001-0001—For support of the Department of Corrections and Rehabilitation.....**6,644,902,000**

Schedule:

- (1) 10-Corrections and Rehabilitation Administration.....206,141,000
- (2) 15-Corrections Standards Authority.....5,596,000
- (3) 20-Juvenile Operations.....170,098,000
- (4) 21-Juvenile Education, Vocations and Offender Program.....85,848,000
- (5) 22-Juvenile Paroles.....35,659,000
- (6) 23-Juvenile Healthcare.....55,976,000
- (7) 25-Adult Corrections and Rehabilitation Operations.....4,272,440,000
- (8) 30-Parole Operations-Adult.....592,143,000
- (9) 35-Board of Parole Hearings.....78,597,000
- (10) 45-Education, Vocations and Offender Program-Adult.....246,406,000
- (11) 50-Correctional Health Care Services...1,044,977,000
- (12) Reimbursements.....-85,316,000
- (13) Amount payable from the Corrections Training Fund (Item 5225-001-0170).....-2,486,000
- (14) Amount payable from the Federal Trust Fund (Item 5225-001-0890).....-4,744,000
- (15) Amount payable from the Inmate Welfare Fund (Item 5225-001-0917).....-56,433,000

Staff Comments. All of the budget bill provisional language included for the new department is identical to the language proposed for the in the January budget. The Subcommittee may wish to approve the Finance Letter, but with amendments to reflect all actions taken by this Subcommittee related to the Youth and Adult Correctional Agency (0550), the Department of Corrections (5240), the Board of Corrections (5430), the Board of Prison Terms (5440), the Youth Authority (5460), and the Commission on Correctional Peace Officers' Standards and Training (5480). With approval of this Finance Letter, the fiscal details will be in conference due to differences in the actions between the Senate and the Assembly. Staff will continue to work with YACA, the Department of Finance and the LAO to track the expenditures from the old display to the new display and to ensure that the actions of the Subcommittee are appropriately reflected.

Action.

5430 Board of Corrections

BOC Proposed Vote-Only Issue

1. May Revise. Extension of Liquidation Period.

May Revise Request. This proposal requests budget bill language to extend the liquidation period of funding for the Santa Clara juvenile hall facility. The funds were originally appropriated for the County Juvenile Facilities Construction Grant Program to provide local assistance grants to counties. The funds are currently available for liquidation through June 30, 2006. The hall is currently under construction, but due to delays the county does not expect this project to be completed until early 2007.

Staff Comments. No issues have been raised concerning this request.

Action.

BOC Proposed Discussion Issues

1. Juvenile Justice Crime Prevention Act Funds

The budget proposes de-linking the Juvenile Justice Crime Prevention Act (JJCPA) and the COPS programs and reducing funding for the JJCPA program by \$75 million. The remaining \$25 million would be shifted to the BOC for distribution to local governments. Since the creation of the JJCPA program, its funding has been linked with that of the COPS program. The funding for the COPS program is proposed to continue at \$100 million.

May Revise Proposal. The Administration subsequently proposed to decrease the funding at the BOC by \$25 million and shift that funding back to the Local Government Financing Item.

Staff Comments. This issue crosses over to the jurisdiction of Subcommittee #4, which handles Budget Item 9210 – Local Government Subventions. At the hearing on May 11 Subcommittee #4 restored the funding for the JJCPA program. The Subcommittee may wish to take the conforming action to reduce the funding in the BOC budget.

Action.

2. TANF Funding For County Probation.

Finance Letter Request. This Finance Letter proposes to provide \$201.4 million in federal Temporary Assistance to Needy Families (TANF) funding received by the Department of Social Services through the Board of Corrections budget to support county probation programs. The Governor's budget included federal authority for this program in the DSS budget.

Staff Comments. In the current year, this program has been funded by General Fund through the Board of Corrections budget. Because of the limited TANF funds, the Subcommittee may wish to approve continued funding for this program with General Fund.

Action.

5440 Board of Prison Terms

BPT VOTE-ONLY ISSUES

1. *Valdivia v. Schwarzenegger*.

Budget Request. The budget proposes 61.1 positions and \$7 million to meet the projected increase in hearing workload related to the *Valdivia* Remedial Plan for the budget year.

2. May Revise. Parole Revocation Caseload.

May Revise Request. This Finance Letter proposes an increase of \$2,063,000 General Fund and 20.6 positions to meet the increased caseload projection for parole revocation cases.

3. May Revise. Withdrawal of Lifer Workload Augmentation.

May Revise Request. This Finance Letter proposes a decrease of \$190,000 General Fund to eliminate the augmentation proposed in the Governor's Budget for lifer hearing workload.

Staff Comments. No issues have been raised concerning these requests.

Action.

5240 Department of Corrections

CDC VOTE-ONLY LIST

1. Third Party Discovery

The budget proposes three positions and \$480,000 in the Legal Affairs Division to assist CDC with responding to third-party discovery subpoenas. The positions would support the additional workload resulting from the DOJ discontinuing this function for the CDC.

Staff Comments. This issue was previously held open pending. The DOF has verified that the funding for this activity in the DOJ budget has been eliminated.

2. May Revise. Energy Efficiency Projects, Base Reduction.

May Revise Request. This Finance Letter proposes a decrease of \$1,372,000 General Fund related to estimated energy savings for two energy projects.

3. May Revise. Coleman Court Order: Mental Health Pay Differentials

May Revise Request. This Finance Letter proposes an increase of \$1,120,000 General Fund to fund the recruitment and retention pay differentials for mental health positions at 12 institutions to comply with a court order issued in the *Coleman* lawsuit on March 7, 2005. In addition, an increase of \$733,000 General Fund is proposed for the Department of Mental Health (DMH) to address the impact of the court order on positions at DMH facilities.

4. May Revise. Coleman Court Order: Implementation of Revised Guidelines for the Mental Health Services Delivery System

May Revise Request. This Finance Letter proposes an increase of \$4,115,000 General Fund to implement the revised guidelines for the Mental Health Service Delivery System in the Administrative Segregation Unit and Security Housing Unit at California State Prison Corcoran to comply with a court order issued in the *Coleman* lawsuit on March 7, 2005.

5. May Revise. Lease Revenue Adjustment.

May Revise Request. This Finance Letter proposes an increase of \$29,478,000 General Fund and a decrease of \$6,341,000 Reimbursements, associated with Lease Revenue Bond debt service adjustments that were set aside in the January 10 Budget, related to Control Section 4.30.

6. May Revise. Updated Debt Service Payment.

May Revise Request. This Finance Letter proposes a reduction of \$6,020,000 General Fund and an increase of \$5,790,000 Reimbursements due to an updated debt service payment schedule for a lease revenue funded project.

Staff Comments. No issues have been raised concerning these items.

Action

CDC DISCUSSION ISSUES**1. May Revise. Population Adjustment**

May Revise Request. A net increase of \$86,067,000 is proposed to reflect revisions in the projected growth of inmate and parole populations. This increase is composed of an increase of \$85,418,000 General Fund, an increase of \$570,000 from the Inmate Welfare Fund, and an increase of \$79,000 in Reimbursements.

Adjusted for recent population trends, the May Revision reflects an estimated institutional Average Daily Population (ADP) of 165,249 inmates in fiscal year 2005-06. This is 2,494 more than projected in the 2005-06 Governor's Budget. V The projected parolee ADP is 110,335. This is an increase of 13,733 from the number projected in the 2005-06 Governor's Budget.

Action.

2. Salary Savings Adjustments

Budget Request. The budget proposes \$35 million in ongoing funding to reduce its salary savings for certain positions. The proposal would reduce the salary savings rate for correctional sergeant, correctional lieutenant, and supervising correctional cook from 8 percent to 0 percent; reduce the salary savings rate for MTA, Psych tech, and Registered Nurse positions from 7 percent to 0 percent; reduce certain facility operations, case records , and education positions from various levels to 4.9 percent.

Previous Action. At the hearing on April 29, the Subcommittee voted to reject funding for this issue due to concerns that the funding would be used for purposes other than filling vacant positions.

Staff Comments. The DOF has indicated that this funding is an important element of the accountability measures that are being taken to match positions with budget authority. The Subcommittee may wish to revisit the issue, and provide funding along with budget bill language that restricts the use of the funds to filling positions that are being held vacant to achieve salary savings.

5240-001-0001. Of the amount appropriated in this item, \$35,036,000 is to fill specified positions held vacant by the California Department of Corrections and Rehabilitation in order to achieve salary savings. The Department of Finance will release funds to the department for this purpose only for those vacancies that the department fills during the fiscal year. Any unspent funds appropriated for this purpose shall revert to the General Fund.

Action.

3. Finance Letter -- Basic Correctional Officer Academy Expansion

Finance Letter Request. This Finance Letter proposed an increase of \$29,074,000 General Fund to increase the number of Basic Correctional Officer Academy cadets from 640 to 1,920 annually. The academy was deactivated in February 2004, based on projected population decreases which have yet to fully materialize.

Action

4. May Revise. Unallocated Reduction to Inmate and Parole Programs.

May Revise Request. This Finance Letter proposes an increase of \$51,152,000 General Fund to reflect a partial restoration of the \$95.3 million Unallocated Reduction that was proposed as part of the 2005-06 Governor's Budget. The revised reduction represents a net decrease of \$44,142,000 General Fund to the Department's budget. The department allocates the reduction by eliminating and reducing a number of intermediate sanction and parole programs.

In order to provide additional accountability for continued implementation of reforms in the budget year, the LAO recommends the following budget bill language.

5225-001-0001. Provision x. Quarterly, beginning on October 1, 2005, the California Department of Corrections and Rehabilitation shall provide to the fiscal committees of the Legislature and the Legislative Analyst's Office a report providing an update on the department's progress implementing recent parole reforms. This report shall cover adult parole program expansions made in the *2003-04* and *2004-05 Budget Acts*, including Pre-Release Program, Police and Corrections Teams, Transitional Case Management Program for mentally ill parolees, Parolee Services Centers, Substance Abuse Treatment and Control Units, Restitution Program, Substance Abuse Treatment and Recovery, Residential Multi-Service Center, Global Positioning Satellite system, the 12-month discharge policy, and Comprehensive Community Wrap-Around Services Program. This report shall include the following information for each program: (1) identification of progress to date implementing the programs, including identifying the number of program slots, the number of program slots currently filled, and the total number of inmate participants to date in the fiscal year, (2) a comparison of current implementation progress to what is assumed in the current budget act and information explaining any shortfalls, (3) a comparison of the current implementation progress to the prior quarterly report, (4) the department's schedule for further program implementation, including the number of slots, location, and date for each, (5) identification of any other significant changes to the programs before the end of the current fiscal year, (6) the estimated implementation costs, (7) the estimated impact of the programs on the institution and parole populations, including data on parole violations and revocations by program participants occurring in the quarter, and (8) the department's policy regarding the criteria for placing an inmate or parolee in the program.

Action

5. May Revise. Inmate and Parolee Program Enhancement Funding

May Revise Request. This Finance Letter proposes an increase of \$15.0 million General Fund (\$30 million ongoing) to allow the Department to expand or improve existing programs, or invest in new programs for inmates and parolees. The proposal includes budget bill language that would make expenditure of these funds contingent on the Department submitting a plan to the Legislature regarding the use of the funds. The administration intends to expand evidence-based programs that improve public safety and reduce victimizations by reducing recidivism and preparing inmates to transition back to the community.

X. Of the amount appropriated in Schedule (3), \$15,000,000 shall only be available for expenditure upon approval by the Chairperson of the Joint Legislative Budget Committee of a plan to expend these funds on inmate and parolee programs. The plan submitted to the chairperson shall detail what programs will be implemented or expanded, the basis for the programs selected, and a timetable for implementing or expanding the programs.

Action.

6. May Revise. Implementation of Improvements in the Dental Program

May Revise Request. This Finance Letter proposes an increase of \$17,320,000 General Fund and 88.5 positions to implement improvements in the dental program as an effort to prevent a dental class action lawsuit. Of the total request, \$9.6 million is one-time and \$7.7 million is ongoing. The major components of the request are as follows:

- \$1.4 million for 50 Office Technician positions, effective January 2006. Previously, inmates performed many of the clerical duties performed at the dental clinic, but changes in regulations regarding access to medical information prevent inmates from continuing to perform that task. The proposal would provide an additional \$2.5 million in 2006-07 for an additional 50 Office Technician positions.
- \$1.3 million for 31.5 Dental Assistant positions. This would raise the ratio to one dental assistant position per dentist. Due to the lack of dental assistants, dentists are currently unable to perform many dental procedures.
- \$145,000 for secure locking cabinets and fax machines.
- \$300,000 for a dental salary survey and a dental workload study. In addition, the proposal includes \$150,000 starting in 2006-07 for three years to fund a contract project manager to assist with the implementation of the Inmate Dental Services Program.
- \$7.1 million one-time for the replacement of non-functional major dental equipment and \$1.3 million one-time for the replacement of non-functional minor dental equipment. The equipment includes dental chairs, compressors, and x-ray heads.
- \$4 million on-going for dental supplies.
- \$807,000 and 7 positions to create dental QMAT team to audit the dental care provided at each institution.
- \$500,000 to contract for a space survey.

Action.

7. May Revise. Critical California Institution for Men Staffing and Facility Needs.

May Revise Request. This Finance Letter proposes an increase of \$5,818,000 General Fund and 46.2 positions to increase staff, improve staff and inmate safety, and address critical physical plant deficiencies. The department indicates that upon review of staffing standards, CIM had less staff than comparable institutions with comparable missions. The request includes \$2.3 million for special repairs – mostly related to modifications for cell doors with cuff ports and replacement of cell windows with security windows.

The LAO has raised some concerns with this proposal. The LAO recommends partial approval of \$2.3 million of the request for special repair funding to address safety issues identified in a report by the Office of the Inspector General. The LAO recommends rejection of the remaining \$3.5 million for additional staff. The department reports that this portion of the request is based on its analysis comparing staffing levels at CIM to other similar institutions. According to the department, this analysis revealed that CIM has significantly fewer staff than those other institutions. However, the LAO indicates that the analysis provided to their office shows correctional staffing at comparable or higher staffing than similar institutions.

Action.

8. Finance Letter -- Pharmacy Health Care Management System, Phase III Implementation

This Finance Letter requests an increase of \$4,867,000 General Fund to fund the Phase III Implementation of a pharmacy automated information system project to improve delivery of health care to inmates, pharmacy operation, medication management, and to comply with legal and regulatory requirements. Budget bill language prohibiting the expenditure of these funds until the Feasibility Study Report for this project is approved by the Department of Finance is also requested. The total three-year costs for the system are \$12.3 million, of which \$8.9 million are one-time costs.

Action.

9. Finance Letter -- Statewide Offender Management System

This Finance Letter proposes an increase of \$253,000 General Fund to partially fund the extension of 5.0 limited-term positions for two years, until June 30, 2007. The remainder of the necessary funds (\$376,000 General Fund) for 2005-06 is proposed to be reappropriated from a previous appropriation.

At the Subcommittee hearing on April 28, the Subcommittee raised concerns about this project. In order to increase accountability on this project, the Subcommittee may wish to do the following:

- Approve reappropriation of \$376,000 General Fund to Item 5225-001-0001.
- Adopt the following budget bill language for Item 5225-001-0001 to allocate the additional requested funds once CDC has accomplished specific tasks on the Statewide Offender Management System:

X. In addition to the funds appropriated in this item, the sum of \$150,000 is hereby appropriated from the General Fund for the Statewide Offender Management System (SOMS) for fiscal year 2005-06. The appropriation made in this provision is not available unless and until the Department of Corrections enters into a contract for the development of a SOMS Feasibility Study Report. Upon contract signature, the Department of Finance may authorize expenditures up to the amount appropriated not sooner than 30 days after notification to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.

X. In addition to the funds appropriated in this item, the sum of \$78,000 is hereby appropriated from the General Fund for the Statewide Offender Management System (SOMS) for fiscal year 2005-06. The appropriation made in this provision is not available unless and until the Department of Corrections reports its July 2005 through December 2005 SOMS accomplishments to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee. Upon CDC's submission of its accomplishments, the Department of Finance may authorize expenditures up to the amount appropriated not sooner than 30 days after notification to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.

X. In addition to the funds appropriated in this item, the sum of \$25,000 is hereby appropriated from the General Fund for the Statewide Offender Management System (SOMS) for fiscal year 2005-06. The appropriation made in this provision is not available unless and until the Department of Corrections reports its January 2006 through March 2006 SOMS accomplishments to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee. Upon CDC's submission of its accomplishments, the Department of Finance may authorize expenditures up to the amount appropriated not sooner than 30 days after notification to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.

Action

10. Information Technology

Due to the concerns regarding information technology projects that were raised at the hearing on April 28, the Subcommittee may wish to adopt budget bill language that require additional reporting on high risk technology projects at the CDC, and may wish to adopt budget bill language directing the Department of Finance to conduct an assessment of CDC's IT activities.

1. Proposed budget bill language for Item 5225-001-0001 to require quarterly reporting on high-risk Department of Corrections' (CDC) information technology (IT) projects:

X. Beginning July 2005, the Department of Corrections shall provide on a quarterly basis to the chairperson of the budget committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee copies of the monthly status and oversight reports submitted to the Department of Finance for any information technology projects in the Department of Corrections with a "high risk" rating as prescribed in state policy.

2. Proposed budget bill language for Item 5225-001-0001 to require the Department of Finance to conduct an assessment of CDC's IT activities:

X. On or before April 1, 2006, the Department of Finance (DOF) shall report in writing to the to the chairperson of the budget committee in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee of its assessment of the Department of Corrections' (CDC) information technology (IT) activities. The assessment shall include, but is not limited to, (1) a review of CDC's IT project management practices and capabilities compared to DOF's oversight framework, (2) an evaluation of CDC's ability to implement its current IT projects within DOF's approved timeframes and costs, and (3) recommendations to CDC on how address the assessment's findings. The assessment report shall include CDC's corrective action plan to address the assessment findings.

Action.

11. Chaplains

In California's state prisons, the prisoner to clergy ratio ranges from 1200:1 to 2200:1. This ratio makes it difficult to adequately provide ministerial services to inmates. This ratio is substantially higher than is recommended by ministerial groups. Adequate staffing for ministers in prisons can be an important component in the rehabilitation of inmates.

The Subcommittee may wish to consider an augmentation of \$250,000 for chaplain positions.

Action

12. Contract Registry

The department continues to experience high vacancies in its health care positions. The overall vacancy rate is in the range of 21 percent. The LAO notes that to-date, recruitment and retention bonuses do not appear to have made a significant difference in number of vacancies. The Table below highlights the vacancy rates for selected healthcare classifications as of November 2004.

| Vacancy Rates for Selected Health Care Classifications as of November 30, 2004 | | | |
|---|------------------|------------------|---------------------|
| Classification | Positions | Vacancies | Vacancy Rate |
| Staff Psychiatrist | 183.7 | 65 | 35.4% |
| Registered Nurse | 1,070.96 | 300.76 | 28.1% |
| Med Tech Assistant | 1,036.1 | 220.95 | 21.3% |
| Psy Social Worker | 144.26 | 28.80 | 20.0% |
| Clinical Psychologist | 424.4 | 82.9 | 19.5% |
| Pharmacist I | 82.2 | 33.2 | 40.4% |
| Pharmacist II | 32.0 | 13.0 | 40.6% |

| Growth in Expenditures for Medical Registry Contracts | | | |
|--|---------------------------|-----------------|-----------------------|
| Year | Total Expenditures | Increase | Percent Change |
| 1998-99 | \$11,722,236 | -- | -- |
| 1999-00 | \$14,795,111 | \$3,072,875 | 26.2% |
| 2000-01 | \$28,869,934 | \$14,074,823 | 95.1% |
| 2001-02 | \$46,790,565 | \$17,920,631 | 62.1% |
| 2002-03 | \$63,821,909 | \$17,031,344 | 36.4% |
| 2003-04 | \$74,550,196 | \$10,728,287 | 16.8% |

The Subcommittee may wish to adopt supplemental report language requiring the department to report on the number of vacancies and the funding expended on contract registries for healthcare services.

The Department shall report to the legislative budget committee of each house on a quarterly basis beginning September 29, 2005, on the number of filled positions and vacancies for healthcare professional positions and the dollars expended on contract registries for healthcare services at each institution.

Action.

CDC Capital Outlay

CDC CAPITAL OUTLAY PROPOSED VOTE-ONLY LIST

1. CMC: Potable Water Distribution System Upgrade.

Budget Request. The Budget proposes \$1.4 million from the General Fund for working drawings for a Potable Water Distribution System Upgrade at California Men's Colony. Future costs of the project total \$29.7 million.

2. DVI: Groundwater Treatment and Non Potable Water Distribution System.

Budget Request. The budget proposes \$818,000 from the General Fund for working drawings for a Groundwater Treatment and Non Potable Water Distribution System at Deuel Vocational Institute. Future costs of this project are \$9.8 million.

3. CVSP: HVAC System

Budget Request. The budget proposes \$28.9 million in lease revenue bonds for construction of a new Heating, Ventilation, and Air Conditioning (HVAC) System at Chuckawalla Valley State Prison.

4. CMF: Solid Cell Fronts.

Budget Request. The budget proposes \$372,000 from the General Fund for preliminary plans for solid cell fronts at California Medial Facility. Future costs are estimated to be \$27.4 million.

5. HDSP/CCC: Arsenic Removal.

Budget Request. The budget proposes \$800,000 to fund working drawings for a project to install treatment systems at High Desert State Prison and California Correctional Center to remove arsenic from the potable water. Future costs are estimated at \$12.7 million.

6. Small Management Exercise Yards.

Budget Request. The budget proposes \$2.6 million from the General Fund to fund construction costs for 96 small management exercise yards at California Institution for Men, California Men's Colony, and Deuel Vocational Institution. By court order, each inmate held in Administrative Segregation must be provided ten hours per week of out-of cell exercise. This is the first of several phases. The remaining phases will include construction of 292 small management yards for Administrative Segregation Units at male institutions and 25 small management yards for Administrative Segregation Units at female institutions. The total estimated costs for the remaining phases is \$8.7 million.

7. CEN: Headworks Modifications.

Budget Request. The budget proposes \$207,000 from the General Fund to fund preliminary plans for a new headworks ahead of an influent pump station at Centinela State Prison. The future estimated costs for this project are \$3 million.

8. DVI: New Wastewater Treatment Plant

Budget Request. The budget proposes \$1.5 million from the General Fund for preliminary plans for a new wastewater treatment plant at Deuel Vocational Institute. The future costs are estimated at \$24.3 million.

9. COR: Wastewater Treatment Plant Improvements.

Budget Request. The budget proposes \$290,000 for preliminary plans for improvements to the wastewater treatment plant at Corcoran State Prison. The future costs for the project are estimated at \$4.3 million.

10. CEN: Wastewater Treatment Plant Upgrades.

Budget Request. The budget proposes \$275,000 for preliminary plans for upgrades to the wastewater treatment plant at Centinela State Prison. The future costs for this project are estimated to be \$2.8 million.

11. CCC: Wastewater Treatment Plant Modifications.

Budget Request. The budget proposes \$1.6 million for site acquisition related to wastewater treatment plant modifications for California Correctional Center and High Desert State Prison. The effluent for both facilities is under capacity for current flows and loads. The recommended solutions include grading or adding new facilities, including: headworks, secondary treatment ponds, storage ponds, effluent irrigation land, solids handling, and emergency generator.

12. Preplanning and Budget Packages.

Budget Request. The budget proposes \$1 million from the General Fund for preplanning and budget packages. This is the same as funding provided in the current year.

13. Minor Capital Outlay Projects

Budget Request. The budget proposes \$5 million for minor capital outlay projects. This is the same funding as provided in the current year.

14. CIM: Hemodialysis.

Finance Letter Request. This Finance Letter proposes a decrease of \$153,000 from the General Fund for Preliminary Plans for a 15-station hemodialysis clinic at California Institution for Men, Chino to provide on-site hemodialysis treatment for up to 90 inmates with chronic renal

insufficiency. The CDC's recent update of its forecast for the need of hemodialysis indicates this project can be deferred to future years without adversely impacting the department's ability to provide hemodialysis to inmates that need it.

15. WSP: Prescreening Facility at the Wastewater Treatment Plant.

Finance Letter Request. This Finance Letter proposes a decrease of \$1,308,000 from the General Fund and a similar increase in bond funds for construction of a prescreening facility at the wastewater treatment plant at Wasco State Prison. The Department of Finance has determined that this project may be funded from 1988 Prison Construction Fund.

16. PVSP: Pre-Lift Station.

Finance Letter Request. This Finance Letter proposes a decrease of \$925,000 from the General Fund and a similar increase for construction for a bar screen, pre-lift station at Pleasant Valley State Prison. The Department of Finance has determined that this project may be funded from 1990 Prison Construction Bond Fund.

17. CMC: East Electrified Fence.

Finance Letter Request. This Finance Letter proposes \$4,619,000 from the General Fund for Construction for an electrified fence at California Men's Colony. This project would provide a lethal electrified fence and would result in eventual staff savings by reducing the need for guards in observation towers.

18. SCC: Electrified Fence

Finance Letter request. This Finance Letter proposes an increase of \$3,745,000 from the General Fund for construction of an electrified fence at Sierra Conservation Center. This project would provide a lethal electrified fence and would result in eventual staff savings by reducing the need for guards in observation towers.

19. SCC: Effluent Disposal Pipeline

Finance Letter Request. This Finance Letter proposes \$11,793,000 from the General Fund for Construction for an effluent disposal pipeline at Sierra Conservation Center. This project would provide disposal capacity for the institution's wastewater effluent, as required by the Regional Water Quality Control Board, and includes an 8-mile pipeline, reservoir, and spray fields. This appropriation would replace an existing appropriation (\$8,142,000), being proposed for reversion in Item 5240-495 below. Combined, the requested actions reflect a net cost increase of \$3,381,000 for additional environmental mitigation and monitoring, additional design work for changes in pipeline routing, and increases in estimated construction and material costs.

20. Reversion of SCC Effluent Disposal Pipeline Funds.

Finance Letter Request. This Finance Letter requests to revert the unencumbered balance of Item 5240-301-0001, Budget Act of 2001, for Construction for an effluent disposal pipeline at Sierra Conservation Center.

21. DVI: Groundwater Treatment/Non-potable Water Distribution System—Working Drawings

Finance Letter Request. The 2005 Governor’s Budget erroneously titled the project (61.06.029) as the Ground Treatment/Non-potable Water Distribution System. The project should be named the Groundwater Treatment/Non-potable Water Distribution System. The scope and costs of the project do not change and accurately reflect the corrected title.

22. CEN: Increase 233,000 for Preliminary Plans for Wastewater Treatment Plant Upgrades.

This project is proposed to be combined with another wastewater project at Centinela State Prison, Imperial(see #21 below). The project was previously titled Headworks Modification to Wastewater Treatment Plant. The proposed new title, Wastewater Treatment Plant Upgrades, better reflects the scope of the combined wastewater project. Cost of preliminary plans is reduced by combining the two projects. The net effect of combining the two projects is a reduction of \$42,000 for the preliminary plans.

23. CEN: Decrease \$275,000 for Preliminary Plans for Facility-wide Modifications to Wastewater Treatment Plant.

Finance Letter Request. This project is proposed to be combined with another wastewater project at the facility (see #20 above). The net effect of combining the two projects is a reduction of \$42,000 for the preliminary plans.

24. Amend Provision 5 of Item 5240-301-0660.

Finance Letter Request. In the Governor’s budget, the language incorrectly identified the Department of Justice in this provision.

“5. The State Public Works Board shall not be deemed a lead or responsible agency for purposes of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) for any activities under the State Building Construction Act of 1955 (Part 10b (commencing with Section 15800) of Division 3 of Title 2 of the Government Code). This section does not exempt the Department of ~~Justice~~ Corrections from the requirements of the California Environmental Quality Act. This section is declarative of existing law.”

25. Technical Budget Bill Language regarding lease revenue bonds.

Finance Letter Request. The Finance Letter makes a technical change to add standard budget bill language regarding lease revenue bonds to Budget Item 5240-302-0660.

26. Wastewater Treatment Plant at California Correctional Institute.

Finance Letter Request. This Finance Letter proposes an increase of \$19,715,000 in lease revenue bonds and to add the working drawings and construction of a wastewater treatment plant renovation at California Correctional Institution, Tehachapi. This proposed appropriation will replace an existing appropriation of \$15,743,000 proposed for reversion below, for a net increase of \$3,972,000 for the project. The project was delayed because of delays in completing due diligence. The revised cost estimate is proposed due to the significant increase in materials and equipment costs that could not be handled within augmentation authority.

27. Various Reappropriations

Finance Letter Request. This Finance Letter proposes reappropriations for the following five projects.

- A. Statewide: Evaluation of Mental Health Facilities—Study. Development of environmental documents, architectural programming, and pre-design activities are underway. This reappropriation is necessary in the event of unanticipated schedule delays or environmental issues.
- B. Deuel Vocational Institution, Tracy: Groundwater Treatment /Non-Potable Water Distribution System—Preliminary Plans. Design was delayed because of additional pre-design research necessary to develop alternative methods of brine disposal.
- C. Chuckawalla Valley State Prison, Blythe: Heating, Ventilation, and Air Conditioning System—Working Drawings. Working drawings are scheduled to be completed June 2005. This reappropriation is necessary in the event of a delay to their pending approval at the June 2005 Public Works Board meeting, unanticipated design issues, or project schedule delays.
- D. High Desert State Prison/California Correctional Center, Susanville: Arsenic Removal from Potable Water Supply—Preliminary plans. Design was delayed to develop pre-design alternatives to identify the most cost-effective solution for arsenic removal.
- E. California Medical Facility, Vacaville: Mental Health Crisis Beds—Preliminary Plans, Working Drawings, and Construction. A request for a supplemental appropriation for this project was requested April 1 because of modified scope and increased costs. Assuming legislative approval of the additional funding, this reappropriation is necessary to account for legislative action and any further unanticipated delays.

28. Extending the Liquidation Period on Two Projects.

Finance Letter Request. This Finance Letter proposes to extend the liquidation period on the following two projects. Add item 5240-491 to extend the liquidation period for the following:

A. Construction of the Correctional Treatment Center, Phase II at the California Institution for Women, Frontera originally appropriated by Item 5240-301-0001, Budget Act of 2001. Extending the liquidation period is necessary to provide adequate time to complete work on the plumbing system required for facility licensure.

B. Construction of the Wastewater Collection Treatment Upgrade at the California Men's Colony, San Luis Obispo originally appropriated by Item 5240-301-0660, Budget Act of 2001. The project is currently scheduled to be completed May 2006 and the liquidation period ends June 30, 2006. Extending the liquidation period is necessary in the event of any unanticipated delays in construction.

29. Reversion of CCI Wastewater Treatment Plant Renovation Funds.

Finance Letter Request. This Finance Letter proposes to revert the unencumbered balance of Item 5240-301-0660, Budget Act of 2003, for construction of a wastewater treatment plant renovation at California Correctional Institution, Tehachapi.

30. May Revise. DVI Potable Water Treatment.

May Revise Request. This Finance Letter proposes an increase of \$270,000 General Fund to provide additional working drawing funds for the potable water treatment/non-potable water distribution system at Deuel Vocational Institution, Tracy. The Finance Letter indicates that it has been determined that the capacity of the treatment system must be increased to meet drinking water requirements and that the treatment plant must be protected from a 100-year flood event.

31. May Revise. CIM Solid Cell Fronts.

May Revise Request. This Finance Letter proposes \$600,000 General Fund for Preliminary Plans for solid cell fronts at the California Institution for Men, Chino. The administration indicates that this project will enhance safety for prison staff and inmates in the Administrative Segregation areas and continues a statewide effort to provide solid cell fronts for all Administrative Segregation cells.

32. May Revise. CMC High Mast Lighting.

May Revise Request. This Finance Letter proposes \$154,000 General Fund for Preliminary Plans and Working Drawings for high mast lighting at California Men's Colony, East Facility, San Luis Obispo. This project will enhance safety by enhancing correctional officers' ability to monitor yard activity by providing brighter and more uniform lighting of the exercise yards than the current lighting system. The existing lighting system has been cited as a contributing factor for numerous incidents during yard activity.

33. May Revise. CIM Minor Capital Outlay Security Enhancements

May Revise Request. This Finance Letter proposes \$1,654,000 General Fund for minor projects to enhance security at the California Institution for Men-East and Central Facilities, Chino. This

will provide funding for 10 security enhancement projects. It is also requested that provisional language be added to allow the CDC to use these funds to complete construction of security enhancements in excess of \$400,000 per project as necessary and that CDC report any project savings to the Department of Finance.

34. May Revise. Arsenic Removal Water Treatment System

May Revise Request. This Finance Letter proposes \$2,378,000 General Fund for Preliminary Plans, Working Drawings, and Construction of an arsenic removal water treatment system at Kern Valley State Prison, Kern. The administration indicates that this project is required to meet federal drinking water standards that become effective January 2006.

35. CMF: Mental Health Crisis Beds

Finance Letter Request. This Finance Letter proposes an increase of \$7,955,000 in lease revenue funds for construction of a mental health crisis bed facility at California Medical Facility. This appropriation would provide additional funds for construction of this 50-bed mental health crisis bed facility. While developing preliminary plans, the Department of Corrections identified a need for an additional 7,300 square feet, primarily because of the need for licensed ancillary hospital services at the Crisis Bed facility. The California Medical Facility's existing licensed facility does not have the capacity to provide these services to the new facility.

36. SVSP 64-Bed Mental Health Facility.

Finance Letter Request. This Finance Letter proposes \$27,518,000 in lease revenue funds for Preliminary Plans, Working Drawings and Construction of an additional 64-bed mental health facility at Salinas Valley State Prison. This project would allow the Department of Corrections to construct a second 64-bed intermediate level of care facility to house seriously mentally ill inmates that require an inpatient level of care. The CDC reports that the statewide need for licensed, intermediate inpatient mental health beds greatly exceeds current capacity. This facility would provide for additional onsite mental health inpatient treatment for the rapidly growing statewide population of male, maximum-security (level 3 and 4) inmates requiring inpatient mental health care beyond the short-term crisis level of care.

Staff Comments. No issues have been raised for the projects on the Vote-Only list.

Action.

CDC CAPITAL OUTLAY DISCUSSION ISSUES**1. CIM: New Mental Health Facility**

Finance Letter Request. This Finance Letter proposes \$12.0 million General Fund for preliminary plans for a new mental health facility at California Institution for Men, Chino. The project envisions new housing, program space, and support services for the seriously mentally disordered inmate population, including Enhanced Outpatient Program (EOP), Administrative Segregation EOP, Psychiatric Services EOP, Inpatient non-acute, and mental health crisis levels of care as defined by the CDC's Mental Health Delivery System. The project will support approximately 1,500 mentally disordered inmates and 500 general population work crew inmates. The future estimated costs for this facility are \$441,601,000.

This is one of three new mental health facilities that the CDC is proposing. There is a Finance Letter request for the study phase of a facility at California Men's Colony, and the department is putting together a proposal for a facility at CSP Sacramento. These three facilities would house approximately 6,000 inmates and would cost \$1.4 billion to construct.

Analyst's Recommendation. The LAO has raised concerns regarding this proposal and the next proposal. The LAO recommends rejecting both proposals at this time and recommends that the CDC provide analysis of alternatives and the operational impacts prior any such project.

Action.

2. CMC: New Mental Health Facility

Finance Letter Request. This Finance Letter proposes \$3.3 million for a study for a mental health facility at California Men's Colony, San Luis Obispo. The project envisions new housing, program space, and support services for the seriously mentally disordered inmate population, including Enhanced Outpatient Program (EOP), Administrative Segregation EOP, Psychiatric Services EOP, Inpatient non-acute, and mental health crisis levels of care as defined by the CDC's Mental Health Delivery System. The project will support approximately 1,500 mentally disordered inmates and 500 general population work crew inmates. These funds would be used to evaluate two potential locations at California Men's Colony, including an environmental impact report, architectural programming, pre-design, and schematic design. The future estimated costs for this facility are \$461,167,000.

Action.

8180 Payments to Counties for the Costs of Homicide Trials

May Revise. Reporting Requirements.

May Revise Request. This Finance Letter proposes budget bill language to strengthen reporting requirements for counties that receive homicide trial reimbursements.

The proposed language is as follows:

XX. All counties that apply for a grant pursuant to this Item shall provide the State Controller's Office and the Department of Finance a written summary of any amounts that they received pursuant to this Item in a previous fiscal year that were not expended as of June 30, 2006. This summary shall detail the amount of unexpended funds by the fiscal year in which they were received. The summary also shall include a description of the purposes for which the county proposes to use the unexpended funds. Applicant counties shall provide this written summary to the State Controller's Office and the Department of Finance no later than June 30, 2006. To ensure compliance with this requirement, the State Controller's Office shall notify counties of this requirement when they submit their applications for funding.

Action