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State Board;

The Governor's proposed 2011-2012 state budget has been released and the highlights are attached for your information. As anticipated, there are some dramatic proposals relative to the CDCR. Again, this is the proposed budget and as such will now begin the dialog between all impacted and or interested parties prior to it becoming a final product.

We have had several meetings with various Administrative representatives including the Governor's Office and the Department of Finance and have more scheduled over the next few weeks. CCPOA has, and will continue to offer viable alternatives to the CDCR proposals that are contained in today's budget proposal. Based on discussions thus far, we are cautiously optimistic that compromises we propose may supplant many of these initial proposals.

Again, please remind our members that the proposed budget is a "proposed" budget and that the process of finalizing it will take several months. While the budget situation is of significant concern, we are also beginning the work toward securing a MOU. As such, we are preparing to post an MOU survey to garner input from the membership in an electronic forum. This will reduce the time frame typically associated with such surveys while still providing members an opportunity to provide us with valuable information. It is our hope to post, on the CCPOA web page, either the survey or link to same by early next week.

We have not scheduled a January Board meeting as yet. What transpires relative to MOU and budget discussions over the next week to ten days will determine if a January board meeting is viable.

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Chuck

## CORRECTIONS AND REHABILITATION

The California Department of Corrections and Rehabilitation (CDCR) is responsible for the incarceration of convicted felons, the supervision of these felons after their release on parole, and the provision of rehabilitative strategies designed to successfully reintegrate offenders into communities. The CDCR is responsible for providing safe and secure detention facilities and necessary support services to inmates, including food, clothing, academic and vocational training. The Governor's Budget proposes \$9.1 billion General Fund and 61,927 positions for state operations and local assistance programs in 2011-12.

The Governor's Budget proposes reforms to institute policy-based changes to prison and parole operations that also provide necessary savings to address the ongoing budget crisis. In addition, the Budget proposes to address longstanding underfunding in several areas of CDCR's budget and unrealistic savings estimates.

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### FISCAL ACCOUNTABILITY

For the last several years, CDCR has struggled to meet its fiscal responsibilities as a result of a structural budgetary shortfall in various programs. The Department has continuously absorbed these unfunded costs by redirecting resources away from other programs and priorities. These redirections have resulted in reductions in inmate education and work programs, freezes placed on purchasing and training, increased equipment and physical plant failures as necessary maintenance is deferred, and non-custody positions being held vacant to use salary savings to cover unfunded expenditures.

## CORRECTIONS AND REHABILITATION

More importantly, these redirections have likely prevented the CDCR from implementing evidence-based programs that could have a positive effect on recidivism rates.

The Governor's Budget includes a new program structure within the Department that allows for better tracking of funding by operational area. In addition, a reevaluation of the Department's methodology for initiating allotments was undertaken to measure the appropriate level of funding needed for the institutions based upon current operational standards.

As a result of these efforts, the Administration is including an ongoing augmentation of \$395.2 million within the CDCR's budget to correct previous budget shortfalls and more accurately reflect the operational costs within the adult institutions' budgets. This augmentation will allow the Department to fully fund the salary and wages of authorized Correctional Officers, Sergeants, and Lieutenants, which is critical to ensuring that the adult institutions have the resources to pay security staff. The augmentation also provides funding to correct for a decline in the number of overtime hours available to CDCR to use within its adult institutions. Due to salary and wage increases for correctional officers over the last eight years, and no increase in departmental overtime funding, the overtime base does not go as far as it originally did. The use of overtime is critical to ensuring that all necessary staffing levels are maintained at CDCR's institutions, and the decline in funded overtime hours has been a primary cause for redirections of funding from other activities.

This budget adjustment will also allow the adult institutions to operate a minimal level of "swing space beds" —empty beds necessary to allow for the continuous population movements that take place between CDCR institutions and between the counties and local jails. Funding swing space throughout the adult institutions is essential, and prior expectations that the Department would fill every funded bed on every day of the year were unreasonable. It is not possible to hire, lay off, and/or transfer staff continuously and rapidly enough to match population movements, and in the past the Department has retained staff in place and paid for their salaries through redirections, since funds for this purpose were not budgeted. This augmentation will provide funding for an adequate level of staff to maintain a reasonable number of empty swing space beds.

Finally, this augmentation will address the medical guarding and transportation deficits that have occurred consistently from the increased usage of outside medical care, and fully fund the Office of Legal Affairs for the costs they incur related to settlements, judgments and other court ordered costs associated with the Department's various class

action lawsuits. Appropriately funding these two areas will prevent CDCR from operating unfunded correctional officer positions for medical guarding and transportation, and will stop the redirection of funds to the Office of Legal Affairs.

The Administration is also including additional reporting requirements to increase the fiscal accountability of CDCR's adult institutions. The Department will be required to report at intervals on how expenditures compare to allotments at every institution. In each case where an institution is projected to overspend its allotments, CDCR will be required to detail how it will reduce expenditures to avoid overspending. By giving the Department adequate resources to carry out its mission, and simultaneously requiring institution-by-institution accountability, the Administration intends to restore fiscal order and discipline in the state correctional system and improve CDCR's ability to provide the programming from which it has redirected in the past.

A necessary component of ensuring sufficient funding for CDCR is the biennial population funding request. The Governor's Budget includes an increase of \$98.6 million General Fund in 2010-11 for various costs directly related to changes in the budgeted populations of adult inmates, juvenile wards, and adult and juvenile parolees, including increased funding resulting from smaller population reduction projections compared to previous savings estimates. In 2011-12 there is an increase of \$161.3 million General Fund for the same purpose. This reflects an increase of 118 adult inmates in the current year, compared to previous projections, and a decrease of 529 in the budget year, for a total of 163,799 in 2010-11 and 163,152 in 2011-12. The projection also reflects decreases in the estimated parolee population of 5,510 in 2010-11 and 12,198 in 2011-12, declining to a total of 113,690 in the current year and 107,002 in 2011-12. For juveniles, the population funding request projects a decrease of 95 wards and an increase of 34 parolees in the current year and a decrease of 130 wards and 56 juvenile parolees in the budget year, resulting in totals of 1,304 wards and 1,554 parolees in 2010-11 and 1,269 wards and 1,464 parolees in the budget year.

## **ELIMINATION OF UNREALISTIC SAVINGS ESTIMATES**

As the state has struggled to resolve its ongoing budget problems, it has also struggled with the appropriate ways to make meaningful reductions within its costly, sensitive, and vital corrections function. This struggle has been exacerbated by the reality that large-scale reductions within CDCR's budget must involve population decreases. The difficulty of deciding on an appropriate course of action, while minimizing any effects on public safety, have resulted in several unallocated reductions to CDCR's budget in

## CORRECTIONS AND REHABILITATION

recent years, without corresponding legislation that would make it possible to achieve those reductions. Similarly with the unfunded budget shortfalls discussed above, the consequence has been redirections from various important areas to ensure the most vital prison activities remain.

The Budget restores \$200 million in 2010-11 and 2011-12 to reverse a population savings adjustment included in the 2010 Budget Act. Population decreases that would have been necessary to achieve this reduction have not materialized and are not expected.

The Budget also proposes a net increase of \$643.4 million in 2010-11 and \$562.8 million in 2011-12 to restore a large portion of the savings included in the 2010 Budget Act associated with the delivery of medical care to inmates. The Budget included a reduction to the Medical Services Program of \$820 million. However, the Receiver indicates that the Program will only be able to achieve \$94 million of the target, and has requested a restoration of \$726 million. While the Budget will recognize much of the unrealized savings, the Administration believes the Medical Services Program can achieve a greater level of savings than proposed by the Receiver. As such, the Budget also proposes a decrease of \$82.6 million in 2010-11 and \$163.2 million in 2011-12 to the Receiver's Medical Services Program, which represents five-percent and ten-percent reductions, respectively. Through administrative actions and statutory changes, the Receiver has implemented a utilization management program to reduce the reliance on costly outside medical care, centralized its pharmacy operations to provide a more efficient and effective dispensing process, and reduced costs of outside hospital and specialty care by capping reimbursement rates and contracting with a provider network. These measures have led to some savings, but the Medical Services Program continues to be costly at approximately \$11,000 per inmate annually. The proposed reductions could be achieved through other cost-saving measures.

The restoration of funding related to unrealistic savings targets is another aspect of the Administration's determination to ensure CDCR has sufficient funding and is then held accountable to restrain spending within that level.

## **CRIMINAL JUSTICE REFORMS**

### **LOWER-LEVEL ADULT OFFENDERS**

The large number of short-term, lower-level offenders and parole violators in prison has resulted in overloaded reception centers, inefficient prison operations, and difficulties with rehabilitation efforts. The number of short-term, lower-level offenders has increased

dramatically since California changed to a determinate sentencing model. Lower-level offenders currently represent almost half of the prison population on any given day. While parole violators encompass all types of offenders, they only return to prison for a short two- to four-month stay, and in some cases serve half of that time in a local jail. The constant cycling of parole violators and short-term offenders creates a situation in which many inmates are housed in gyms and day rooms. The reception centers must process 250,000 to 300,000 individual offenders in any given year. Due to limited resources for county probation departments, many of these short-term offenders have previously failed to turn their lives around after being convicted of crimes at the county level. With more resources, short-term offenders can be better managed and can become more successful through a combination of probation services and jail time.

The Governor's Budget proposes that offenders convicted of non-violent, non-serious, non-sex offenses, and without any previous convictions for such offenses, would fall under local jurisdiction, while the state would be responsible for inmates convicted of the most serious offenses. The state incarcerates a substantial number of inmates who have been convicted of drug or property crimes, as opposed to crimes against persons. In 2008, 52.5 percent of new admissions were due to property or drug offenses, 33 percent were convicted of crimes against persons, and 14.5 percent were for other crimes, such as weapons possession and driving under the influence. The state also devotes a large share of its prison resources to short-term incarcerations of parole violators. In 2008, 55 percent of prison admissions were the result of parole violations, while only 27 percent were new admissions, persons being incarcerated for the first time for their offense. The remaining admissions were primarily inmates returned from temporary release for reasons such as attending criminal trials or hospitalization. Incarceration has become the primary method of dealing with parole violations in California, driving up prison costs and inmate crowding. Further, parole revocation sentences are served in reception centers at state prisons or local jail beds, where there have not traditionally been any programs to address the reasons for the parole failure or better prepare inmates for release into the community. The result has been a costly system that has struggled to deliver necessary programs and health care and to effectively prepare inmates for a return to society.

A decrease of \$485.8 million is proposed in 2011-12 to implement a change in mission for the state's prison system. The savings amount includes a one-time reduction of \$150 million for rehabilitative programs. Funding for rehabilitative programs would be restored in 2012-13, after CDCR has reconfigured its program delivery model in accord with its changed population mix. Upon full implementation, the proposal will save approximately \$1.4 billion.

Given the crowded condition of many local jails and budget pressures at the city and county level, the Budget also proposes to provide additional revenue to support local governments and the provision of public safety services at the local level. The prison mission changes discussed here are addressed in more detail in the Realignment chapter. Other significant policy changes in the area of paroles, parole violators, and additional revenues to enable local governments to successfully implement these activities are also discussed in the Realignment chapter.

### **JUVENILE OFFENDERS**

The vast majority of youthful offenders are now directed to county programs, enabling direct access and closer proximity to their homes, families, social programs and services, and other support systems. Offenders directed to the Division of Juvenile Justice have been convicted of the most serious and violent crimes and are most in need of specialized treatment services. These offenders represent less than one percent of the 195,000 youth arrests made each year. Over the past decade, the number of wards in state juvenile facilities has decreased from approximately 10,000 to fewer than 1,300. In 2007, the state transferred the responsibility for lower-level offenders to the counties. The state is providing \$117,000 per ward per year to county probation to address the costs of managing the additional population. In January 2011, the state will transfer the responsibility for supervising new juvenile parolees to counties. The state is providing \$15,000 per parolee per year to county probation for the additional supervision responsibilities. The state is now left with a very small and expensive system of providing services to the most violent juvenile wards at a cost exceeding \$200,000 per ward per year.

The Governor's Budget proposes the elimination of the Division of Juvenile Justice by June 30, 2014, and the transfer of jurisdiction for these offenders to local governments. This proposal builds upon the efforts by local jurisdictions to retain offenders at the local level, as well as the statutory changes from 2007 that prohibit counties from committing non-serious, non-violent, and non-sex offenders to the state. This will result in 2011-12 savings of \$78 million in 2011-12, and upon full implementation the proposal will save approximately \$250 million.

Given the budget pressures at the local level, the Budget also proposes to provide additional revenue to support local governments in making this mission change. The juvenile mission changes and additional revenues discussed here are addressed in more detail in the Realignment chapter.

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## **INCARCERATION OF UNDOCUMENTED FELONS**

Exacerbating the difficulty of funding California's correctional system is the lack of full federal reimbursement of the State's costs for offenders who are not legal residents. An estimated 11.2 percent of inmates in the state prison system in 2010-11 will be undocumented persons, and CDCR will spend approximately \$938.6 million to incarcerate some 18,300 offenders. However, the state is expected to receive only \$88.1 million in federal State Criminal Alien Assistance Program (SCAAP) funding for 2010-11 and 2011-12. At this level of funding, the state will be reimbursed for only 9.4 percent of the costs associated with the incarceration and related debt service associated with the undocumented felon population, with \$850.5 million in costs in excess of the level of federal reimbursements.

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## EMPLOYEE COMPENSATION AND RETIREMENT

In 2011-12, state employee salaries are projected to cost \$7 billion General Fund and benefits including health care and retirement contributions are projected to cost \$3.4 billion General Fund. As such, reducing the cost for salaries and benefits continues to be a necessary part of closing the budget deficit.

The labor agreements reached in 2010, covering 15 of the state's 21 collective bargaining units, contained compensation concessions ranging in a reduction to take-home pay between 8 and 10 percent for most of the state workforce. The Governor's Budget reflects the carryover savings obtained from the collectively bargained 12-month personal leave program (PLP) and the additional savings associated with the PLP program for non-represented employees. The 6 bargaining units without contracts, representing 36 percent of the state's General Fund payroll, remain on 3-day-per-month furlough through June 30, 2011. The Governor's Budget includes a reduction of 10 percent in take-home pay from the employees in these 6 bargaining units. Further, to address the increasing costs of state employee and retiree health care, the Budget includes savings associated with the creation of a core health care plan option to augment existing plans.

The significant General Fund budget solutions are as follows:

- Personal Leave Program—The Governor's Budget reflects savings of \$71.6 million resulting from the personal leave program carrying over into 2011-12. The 13 bargaining units that signed contracts in 2010, as well as the compensation package

## EMPLOYEE COMPENSATION AND RETIREMENT

in place for most excluded employees, included a 12-month, one-day-per-month, unpaid personal leave program.

- **Reduced Employee Compensation Costs**—A reduction of \$308.4 million achieved through a 10-percent reduction in take-home pay for the 6 bargaining units without contracts. These savings will be achieved through collective bargaining or other administrative actions.
- **Core Health Care Option**—Health care benefit costs in 2010-11 for active employees and retirees are approximately \$2.4 billion. To reduce the escalating cost of state employee and retiree health care, the Governor's Budget includes the addition of a core health plan to the current benefit plan options for a savings of \$72 million from the projected increase in the 2012 calendar year health rates. The core health plan would provide fundamental coverage at a lower premium. Through legislation, the California Public Employees' Retirement System (CalPERS) would be directed to: (1) negotiate and add a core health plan option to the existing portfolio of health plans and (2) include a state representative in the health contract negotiations both for the purpose of shaping the core health plan option and identifying and advocating for more economical options within the existing plans.

The significant General Fund workload adjustment is:

- **CalPERS Contributions**—An increase of \$235.6 million over 2010-11 contributions for a total of \$2.4 billion in 2011-12. The net changes in 2011-12 are a result of various factors that include anticipated changes in CalPERS' actuarial assumptions and past investment performance which are partially offset by increased employee contributions.