



CALIFORNIA PROBATION, PAROLE AND CORRECTIONAL ASSOCIATION

May 14, 2008

Capitol Wrap

Governors' May Revise Budget Edition

Submitted by Nick Warner, Legislative Advocate and Danielle Higgs, Legislative Analyst

Today the Governor released his Revised Budget proposal for 2008-09. The full report may be viewed at www.gov.ca.gov/budget.

Summary – In January, the projected deficit for 2008-09 was \$14.5 billion. Left unaddressed, the projected gap would have grown to \$24.3 billion for fiscal year 08-09. The biggest factor in the growth of the deficit is a \$6.0 billion decrease in the estimated projections from General Fund revenue. To account for the growth in deficit projections, the May Revision proposes \$12.6 billion in expenditure reductions across state government.

Securitize the Lottery (\$15 billion over 3 years) - The Governor's revised budget includes a combination of cuts, new revenues and some creative solutions to address California's \$17.2 billion budget problem. The May Revision proposes to securitize \$15 billion over the next three years by selling bonds based on anticipated lottery revenue. The Governor proposes to use about \$5.1 billion of that for the 2008-09 fiscal year to help ease the current deficit. The remaining \$10 billion would be left in a reserve fund the Governor wants to create as part of his budget-reform proposal. It would be intended to ease the effect of year-to-year revenue fluctuations.

Since the lottery was established through the initiative process, the Governor's lottery securitization proposal requires voter approval. If the measure is not approved by voters in November, the proposal would trigger a temporary 1 percent increase in the state sales tax to pay for the reserve fund. The increase would last no more than three years and once the rainy day fund is full, taxpayers would receive rebates until the entirety of the sales tax increase is paid back in full.

Major policy changes from Governor's January Budget – Responding to strong criticism from legislators, stakeholders, and media, the Governor backed away from three key proposals:

- **Early release of 22,000 inmates (beds) proposal abandoned**– CDCR reports a population decrease of 6,400 inmates since January. As a result of program and parole changes mandated in SB 1453 (Speier, Chapter 875, Statutes of 2006), the Administration notes a savings of approximately \$80 million from inmate reduction. The inmate reduction and programs such as SB 1453, day reporting centers and mandatory release from parole after 13 months of clean time, allowed the Administration to back away from the early release proposal.
- **Closure of 48 state parks** – Increased park user fees will make up the difference.
- **Proposition 98 (K-12) reductions** – The May Revision restores billions to K-12, but defers cost of living adjustments to augment the funding restorations.
- **Health and Social Services eligibility and funding** – The Revision proposals significant MediCal eligibility restricts and reductions in state aid totally nearly \$1 billion in cuts in state aide.



CALIFORNIA PROBATION, PAROLE AND CORRECTIONAL ASSOCIATION

Summary Parole – The Governor’s revised budget includes a total savings of \$173.6 million for the Summary Parole proposal, which is a \$75.7 million increase compared to his January budget. Corresponding savings result from CDCR’s reconfiguration of programs that serve its parolee population, the reduced need to reimburse local governments for the cost of housing detained and revoked parolees, and projected reductions in the Board of Parole Hearings workload. CPPCA will be involved in future discussions on statutory changes that may be needed to impact parole reforms.

Shift in TANF Funding – In February 2008 the federal Health and Human Services Agency released updated federal regulations for the TANF Block Grant. As a result of these new provisions, the requirements to meet the TANF Maintenance of Effort (MOE) requirement are more restrictive. To address the loss of available MOE, the Governor’s revised budget proposes to replace \$151.8 million General Fund that currently supports the Juvenile Probation Program with TANF Block Grant Funds, and transfer the General Fund to the Department of Social Services.

Probation Specific items:

Budget Item	Governor’s January Budget 2008-09	May Revise Budget	Senate	Assembly
Juvenile Justice Crime Prevention Act	\$107 million	\$107 million	\$0	Open item
Standards and Training for Corrections (STC)	\$19.4 million	\$19.4 million	Open item	Open item
Juvenile Probation Camps Program	\$181.3 million	\$181.3 million	\$0	Open item
Youthful Offender Block Grant*	\$66 million*	\$66 million		
Prop 36	\$90 million	\$90 million	Open item	Open item
Substance Abuse Offender Treatment Program (OTP)	\$18 million	\$18 million	Open item	Open item
Mentally Ill Offender Crime Reduction Grants	\$40.1 million	\$40.1 million	\$0	Open item

*YOBG (SB 81) has been officially exempted from cuts in the Governor’s budget and 2008-09 budget is the same amount projected from last year. 2009-2010 the budget grows to \$92 million.



CALIFORNIA PROBATION, PAROLE AND CORRECTIONAL ASSOCIATION

Other items of note:

Budget Item	January Proposed Budget 2008-09	May Revise Budget	Senate	Assembly
COPS	\$107 million	\$107 million	\$0	Open item
Rural and Small County Sheriffs' funding	\$16.6 million* would reduce grants to each agency from \$500,000 to \$450,000	\$16.6 million	\$0	Open item
Jail Efficiency Funds (was booking fees)	\$32 million	\$32 million	\$0	Open item
CAL-MMET for methamphetamine interdictions	\$26.55 million; Proposed to be made permanent	\$26.55 million	\$0	Open item
Cal Gang	Unchanged	Unchanged	Open	Open
Rural Crime Prevention	Unallocated 10% reduction	Unallocated 10% reduction	Open	Open
High Tech Theft	Unallocated 10% reduction	Unallocated 10% reduction	Open	Open
SAFE Teams to apprehend sex offenders	Unallocated 10% reduction	Unallocated 10% reduction	Open	Open
Internet Crimes against Children	No change indicated	No change indicated	Open	Open
Court Security	No changes	No changes	Open	Open



CALIFORNIA PROBATION, PAROLE AND CORRECTIONAL ASSOCIATION

Closing comments and Analysis – The next step in this painful budget process is for the Assembly and Senate to finalize their respective budgets. As you can see, the Senate “zeroed out” several critical programs. We do not expect the Assembly to follow the Senate in that manner. Budget items between the two houses that do not conform will be settled via Joint Legislative Budget Conference Committee.

The \$5 billion FY 08-09 impact from the lottery securitization proposal is a very creative and lucrative approach to revenue enhancements. Coupled with a \$4 billion reduction in cost of living increases to K-12, the Governor’s May Revision closes \$9 billion of the deficit with proposals that are likely to have strong opposition from Republicans, gaming tribes and schools. Several leading lawmakers have indicated their preference for selling surplus state property rather than taking money from schools or privatizing the lottery. What that means is that as these revenue increases run into trouble, it could and likely will spur further cuts or program eliminations.

We are particularly concerned about the shift in JPCF from the General Fund to TANF given significant related cuts of nearly \$1 billion for health and welfare programs.

The recent actions by Senators Machado (D-San Joaquin, Yolo, Solano) and Kehoe (D-San Diego) to eliminate local law enforcement subventions in an off-agenda hearing with no local government or local law enforcement representatives present in the room, puts Republicans and law enforcement friendly Democrats in the position of having to “buy back” these critical programs in the face of a huge budget deficit and desperately compete for scarce dollars. It is to be taken seriously and it will make our efforts to maintain current funding more difficult in the end. Conversely, the “Machado hearing” did have the positive effect of rallying law enforcement legislators around our issues.

To view the “Machado hearing” click here: <http://www.calchannel.com/MEDIA/0508C.asx>
(start feed at 50 mins.)

These cuts to local subventions highlight the need for stable law enforcement funding as provided in the Safe Neighborhoods Act and showcases why we are involved in this critical effort. <http://safeneighborhoodsact.com/>

Respectfully submitted.