



**CPPCA State Budget Update:
Governor Newsom Releases May Revision to 2020-21 State Budget**

May 14, 2020

Today, Governor Newsom released his May Revision to the 2020-21 state budget. Given the significant economic impacts of the COVID-19 crisis, the budget proposes approximately \$133.9 billion in General Fund (GF) spending (down from \$153.1 billion as proposed by the January budget) and \$203.3 billion in total spending (down from \$222.2 billion as proposed by the January budget). To provide perspective about the nature of the budget problem faced by California, the January budget assumed a surplus of approximately \$5.6 billion while the May Revision projects a \$54.3 billion deficit. General fund revenues alone are projected to decline over \$41 billion through the budget year.

The budget cancels \$6.1 billion in program expansions and increases and draws down \$16.2 billion from the Rainy Day Fund over three years, including \$7.8 billion from the Rainy Day Fund in 2020-21. The budget proposal borrows and transfers \$4.1 billion from special funds, captures revenues from limited tax credit and deferral programs, and assumes significant federal funding.

The budget plan notes that “COVID-19 has caused a global economic crisis which has had a profound impact on California. It has caused business closures, job losses and has driven millions of Californians to seek unemployment and other assistance. Necessary efforts to contain the virus and to address its effects have increased costs for state and local governments across the country. California’s prudent fiscal management, including its structurally balanced budget and record reserves, puts it in a much better position than other governments to contend with these challenges. However, the effects of the COVID-19 Recession on the state budget are massive. Substantial federal assistance is essential to safeguard core government functions, as well as to support a safe, quick economic recovery.”

The budget summary further states that “The May Revision is guided by the principle of prudent fiscal management to: protect public health, public safety and public education; provide assistance to small businesses and Californians most hurt by the pandemic; and to invest in a safe and quick economic recovery. It proposes to strategically use federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds to support schools, public health and local governments. It is

anchored in a commitment to preserving core services and supporting Californians facing the greatest hardships.”

Finally, the budget summary provides “The Administration will work in partnership with the Legislature to enact a balanced budget and to advocate for increased federal funding for state and local governments. In the event that sufficient additional funds do not materialize, the Administration is committed to considering alternatives to protect core services, including additional borrowing, revenue increases, revenue accelerations and other options. To be workable, any alternative solution must mitigate, not exacerbate, the structural deficit the state faces and avoid repeating a pattern of successive years of fiscal and financial distress.”

The final budget is due to the Governor by June 15 and must be signed into law by July 1, 2020.

The Governor’s budget summary can be accessed here:

<http://www.ebudget.ca.gov/FullBudgetSummary.pdf>

California Department of Corrections and Rehabilitation

- **Parole Terms** – The May Revision proposes to cap supervision for most parolees at 24 months, establish earned discharge for non-Penal Code section 290 registrants at 12 months, and establish earned discharge at 18 months for certain Penal Code section 290 registrants. The May Revision notes that this proposal is intended to align community supervision terms with evidence that most recidivism occurs earlier in the supervision period, create incentives for positive behavior change, and more effectively use limited state resources. This proposal is expected to result in estimated savings of \$23.2 million General Fund in 2020-21, increasing to \$76 million ongoing General Fund in 2023-24.
- **Valley State Prison Youth Offender Rehabilitative Community** - The Governor’s January Budget proposed \$6.2 million General Fund in 2020-21 to establish Youth Offender Rehabilitative Communities. These are programs that house offenders under the age of 26 together at select adult institutions in campus-style environments conducive to positive behavioral programming. The May Revision proposes to retain a model program that will be established at Valley State Prison in Chowchilla. This reduces the Governor’s Budget proposal to \$1.3 million in 2020-21 and \$2 million ongoing.
- **Reduce Reception Center Process** – CDCR plans to reduce the reception center process to as little as 30 days instead of 90 to 120 days. This will allow inmates to begin participating in academic and rehabilitative programs sooner and will likely enable CDCR to convert some existing Reception Center housing to General Population housing in 2020-21.
- **Good Conduct Credits** -The May Revision proposes changes to good conduct credits that will be applied prospectively. The changes are still being developed and will require further discussion and will be informed by preliminary recidivism data associated with existing good conduct credits. The preliminary estimate is that these changes will save \$2.7 million General Fund in 2020-21.

- **Additional changes proposed to achieve efficiencies and reduce costs:**
 - *Eliminate Parole Outpatient Clinics*—Services provided in the Parole Outpatient Clinics can otherwise be accessed through Medi-Cal or other insurance. The May Revision proposes to no longer fund Parole Outpatient Clinics to eliminate redundancy in services and utilize services where the state receives financial participation from the federal government through Medi-Cal. This proposal retains Parole Outpatient Clinic psychiatrists to continue meeting emergency medication needs for parolees with mental illness. This proposal is expected to result in estimated savings of \$9.1 million General Fund in 2020-21, and \$17.6 million ongoing General Fund.
 - *Remote Court Appearance*—CDCR will pursue efforts to increase video capabilities to enable remote court appearances by inmates and staff. This will result in efficiencies associated with transportation of inmates from their assigned prison to a prison closer to the court, and daily transportation of inmates to court. This will also reduce inmate absences from rehabilitation and work assignments.
 - *Consolidate Fire Camps* - The May Revision assumes the closure of eight camps, that will be selected in coordination with the California Department of Forestry and Fire Protection (CAL FIRE). The locations selected will take into consideration proximity to other fire camps in an effort to minimize impacts to communities that rely on the services provided by inmate fire crews. CDCR's savings are estimated to be \$7.4 million General Fund in 2020-21 and \$14.7 million ongoing.
 - *Draw Down Federal Funds for Health Care for Community Reentry Programs* - CDCR is implementing operational changes at its reentry facilities to adhere to federal CMS guidelines on Medicaid benefits in a manner that ensures public safety, thereby allowing the state to draw down federal funding for residents' health care and saving \$4.2 million General Fund in 2020-21 and \$8.5 million ongoing.
 - *Eliminate the Integrated Services for Mentally Ill Parolee Program*—The Integrated Services for Mentally Ill Parolee Program provides wraparound services, including some transitional housing for approximately 1,500 of 18,000 mentally ill parolees. The May Revision proposes to eliminate the program and instead adjust policies to connect these individuals with community resources and provide better continuity of care long-term.

Public Safety Items of Note

- **Realign Division of Juvenile Justice** – The May Revision proposes to transfer the responsibility for managing all youthful offenders to local jurisdictions and direct a portion of the state savings to all county probation departments. The May Revision proposes to stop intake of new juvenile offenders effective January 1, 2021 and begin the closure of all three state juvenile facilities and the fire camp through the attrition of the current population. Offenders over the age of 18 that will eventually be transferred to an adult institution will be prioritized for placement in the Youth Offender Rehabilitative Community established at Valley State Prison.

In recognition that some youth currently housed in state juvenile facilities have sex behavior treatment or mental health treatment needs, the May Revision includes \$2.4

million General Fund in 2020-21, increasing to \$9.6 million ongoing, to be awarded as competitive grants by the Board of State and Community Corrections. Grants will be awarded to county probation departments that will serve as hubs to meet the specific treatment needs of youth throughout the juvenile justice system.

- **SB 678** - The May Revision provides \$112.7 million General Fund in 2020-21 for SB 678.
- **STC** – The May Revision includes \$20.9 million for STC.
- **POST** - The May Revision maintains last year’s increase of \$14.9 million to POST to restore peace officer training funding to historic levels. Additionally, the budget continues the additional \$20 million to fund de-escalation, use of force, and mental health crisis training.

To meet the short-term needs of local law enforcement training due to the COVID-19 pandemic and the potential long-term impact of reduced state and local budgets, POST will leverage existing funding provided in the 2018 Budget Act to provide for the strategic development and implementation of a framework to support distance learning opportunities for all California law enforcement agencies. Specifically, the May Revision proposes to use \$10 million previously appropriated to: (1) create a Distance Learning Grant Program, (2) increase the functionality of POST’s Learning Portal, and (3) upgrade previously produced and developed distance learning courses and videos.

To reduce costs, the May Revision also proposes to revert \$16.5 million in unspent funding appropriated in prior budgets.

- **PRCS** - The May Revision includes \$12.9 million General Fund for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision (PRCS) as a result of the implementation of Proposition 57.
- **2011 Realignment** – The programs for 2011 Realignment are funded through two sources: state sales tax and Vehicle License Fees. These fund sources are projected to decline by 13% from 2018-19 to 2019-20 and grow slightly in 2020-21. This decline is significant and the first time since 2011 Realignment there has been a significant decline in realigned revenues to support the programs funded by realignment.

Judicial Branch

- **Court Operations** - In an effort to help the trial courts address the backlog of cases and resume normal operations, the May Revision includes \$50 million one-time General Fund in 2020-21. The May Revision also includes \$25 million ongoing General Fund for modernizing court operations with the goal of achieving efficiencies and increasing access to court services online.
- **Online Adjudication of Infractions and Expansion of Ability to Pay** -The May Revision maintains funding included in the Governor’s Budget to expand the ability to pay program

statewide. Eligible participants will have their penalties reduced by 50 percent or more and can make payments over a period of time.

- **Fine and Fee Revenues**— the May Revision includes an additional \$238.5 million one-time General Fund in 2020-21 to backfill losses due to declining revenues. Specifically, \$90.9 million for estimated lost revenue in 2019-20 and \$147.6 million for 2020-21.

Board of State and Community Corrections

- **Proposition 47** - The Department of Finance currently estimates net savings of \$102.9 million General Fund for Proposition 47 when comparing 2019-20 to 2013-14, a decrease of \$19.6 million from the Governor's Budget estimate for 2019-20. These funds will be allocated according to the formula outlined in the initiative.
- **Adult Reentry Grant**—In light of the State fiscal picture, the May Revision sets forth the reduction of \$37 million for the Adult Reentry Grant which provides competitive awards to community-based organizations to support offenders formerly incarcerated in state prison.

Department of Justice

The May Revision includes total funding of approximately \$1.1 billion, including \$365.9 million General Fund, to support the DOJ. This represents a reduction from the Governor's Budget of \$14 million, of which \$4.3 million is General Fund. Absent additional federal funds, the COVID-19 Recession makes this reduction necessary to balance the state budget. This reduction will be triggered if the federal government provides sufficient funding to restore it.