

March 26, 2015

Governor's Proposals: Funding for Local Law Enforcement Training and Traffic Amnesty Program

L E G I S L A T I V E A N A L Y S T ' S O F F I C E

Presented to:
Senate Budget Subcommittee No. 5
On Corrections, Public Safety and the Judiciary
Hon. Loni Hancock, Chair





Overview

- ☑ Monies from fines and fees levied on individuals convicted of criminal offenses are distributed to various state and local funds—such as the State Court Facilities Construction Fund, county general funds, and the State Penalty Fund (SPF).
- ☑ Monies deposited into the SPF are then split among nine other state funds. Two of these funds, which support local law enforcement training, will become insolvent in 2015-16 absent corrective action.
- ☑ To address the insolvency of these funds, the Governor offers a series of proposals—including a traffic amnesty program, restructuring the expenditures from one of the funds, and zero-base budgeting programs funded from the SPF.
- ☑ We generally find that the Governor's proposals are an ineffective solution to address the shortfalls in funding for local law enforcement training.



Background on Court-Ordered Debt

Examples of Total Obligation Owed for Traffic Violations

As of February 1, 2015

	Failure to Stop at Stop Sign ^a (Infraction)	Driving Under Influence of Alcohol/Drugs ^a (Misdemeanor)
Base Fine	\$35	\$390
State Surcharge	7	78
State Penalty Assessment	40	390
County Penalty Assessment	28	273
Court Construction Penalty Assessment	20	195
DNA Identification Fund Penalty Assessment	20	195
EMS Penalty Assessment	8	78
EMAT Penalty Assessment	4	4
Court Operations Fee	40	40
Conviction Assessment Fee	35	30
Night Court Fee	1	1
Totals	\$238	\$1,674

^a These examples show the total obligation owed for a selected infraction and misdemeanor. Depending on the specific violation and other factors, additional county or state assessments may apply.
EMS = Emergency Medical Services; and EMAT = Emergency Medical Air Transportation.

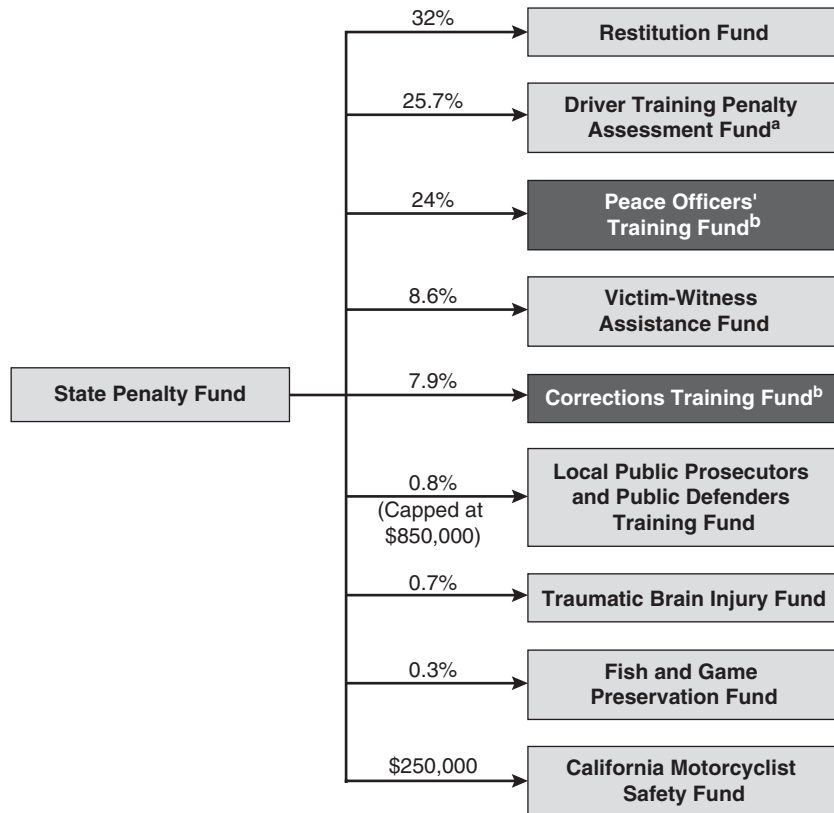
Court-Ordered Debt. Trial courts typically levy a monetary punishment upon individuals convicted of traffic violations or other criminal offenses. All fines and fees, forfeitures, penalty surcharges, assessments, and restitution assessed by trial courts in accordance with state law is known as court-ordered debt—meaning the total amount of debt that an individual owes the courts.

Payments Deposited Into Various Funds. Individuals satisfy court-ordered debt obligations by making payments to collection programs. State law specifies how funds collected from the various assessments will be distributed among various state and local funds—such as requiring that 70 percent of state penalty assessment revenues be deposited into the SPF.



State Penalty Fund

State Penalty Fund Revenues Support Numerous Funds



^a After deducting funds for driver training as dictated by state law, set amounts of remaining funds are first redistributed to four other funds (including the Peace Officers' Training Fund and the Corrections Training Fund).

^b Funds directly addressed by Governor's proposal.



State Penalty Fund

(Continued)

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- ☑ ***SPF Supports Nine Other State Funds . . .*** As shown in the figure (see page 3), revenues deposited into the SPF are split among nine other state funds with each receiving a certain percentage under state law. Thus, a decline in the total SPF revenues also results in a similar decline in revenue for the nine funds that support various state and local programs.

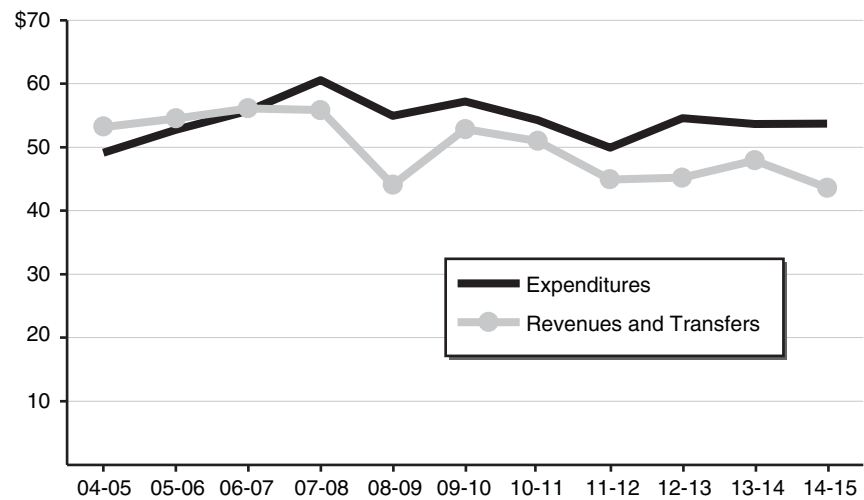
 - ☑ ***. . . Including Two That Support Law Enforcement Training.*** In particular, the SPF supports the Peace Officers' Training Fund (POTF) and the Corrections Training Fund (CTF). The POTF serves as the primary funding source for the Commission on Peace Officer Standards and Training (POST), while CTF supports the Standards and Training for Local Corrections Program operated by the Board of State and Community Corrections (BSCC).



Operating Shortfalls in Both POTF and CTF

POTF Expenditures Exceed Revenues, Creating Operational Shortfall

(In Millions)



POTF = Peace Officers' Training Fund.

- Revenue in SPF Declining.** Revenue into the SPF peaked in 2008-09 at \$170 million and has steadily declined since. Estimated revenue for the SPF in 2015-16 is \$114 million—a decline of nearly 33 percent since 2008-09. Accordingly, revenues deposited into the POTF and CTF have also declined.
- POTF and CTF Face Insolvency.** In recent years, the POTF and CTF have experienced persistent operational shortfalls. In 2015-16, these operational shortfalls—around \$10 million for POTF and \$4 million for CTF—will result in insolvency in both funds absent any corrective action.



Operating Shortfalls in Both POTF and CTF (Continued)

- Previous Attempts to Address POTF Shortfall.*** Steps were previously taken to help address the POTF shortfall including: (1) implementing \$8.6 million in annual reductions to local assistance provided to law enforcement agencies, (2) providing \$3.2 million General Fund to POST for 2014-15, and (3) requiring a report by February 2015 on options to address the shortfall.



Governor's Proposals



Traffic Amnesty Program

- The Governor proposes an 18-month traffic amnesty program that would provide individuals a 50 percent reduction in the debt owed for qualifying traffic infractions and misdemeanors if they pay the reduced amount in full. This program would be nearly identical to a six-month amnesty program implemented in 2012.
- Amnesty revenues would go to state and local funds in accordance with state law—except for revenues deposited into the SPF. Such revenue would only be deposited into the POTF (82.2 percent) and CTF (17.8 percent).
- The budget assumes the program will collect about \$150 million, with \$12 million going to the SPF—\$9.9 million going for POTF and \$2.1 million for CTF.



Restructure POTF Expenditures

- The administration proposes to (1) reduce POTF expenditures by \$5.3 million by eliminating 37 POST positions and (2) increase expenditures by restoring the \$8.6 million reduction to POST local assistance. Under the plan, POTF would have a shortfall of \$3.5 million.
- No changes proposed to CTF expenditures. The CTF would have a shortfall of about \$2 million.



Zero-Base Budget Programs Funded by SPF

- The Governor's budget proposes to zero-base budget all expenditures from the SPF—including expenditures on POST and BSCC programs.



Amnesty Proposal Ineffective Solution to Address Shortfalls



Revenue Estimates Appear Too High and Provide Only Short-Term Benefits

- The proposal's only major difference from the 2012 program is that it would operate longer. Assuming that revenue is generated at the same rate as the 2012 program, it would only result in \$37 million in total revenue and \$3 million for the SPF—only about a quarter of the amount assumed by the administration.
- Even this lower estimate may be too high because a portion of the debt included in the program was eligible in 2012, but was not collected then, making it questionable whether it would be now.
- Collection programs may not pursue these debts since the revenue they receive may not justify the cost. Previously, only 38 percent of collection programs stated that they would support a future amnesty program.
- Any revenues collected are one-time in nature and the funds would have shortfalls again in 2016-17.



Potential Negative Impacts on Future Collections

- Offering two amnesty programs within four years can result in individuals expecting that they will be offered regularly. Individuals who would have otherwise paid may choose not to and wait for another amnesty program.
- If the state offers a future program, such individuals will only be required to pay a fraction of their debt. If it is not offered, some may never pay. Both could ultimately decrease revenues in the future.



Other Concerns With the Governor's Proposal

- POTF Expenditure Plan Unrealistic.*** The budget assumes that all 37 POST positions would be eliminated on July 1, 2015. However, with only ten vacant positions, achieving this reduction will likely require layoffs that can take several months during which time POST will continue to incur expenses for the positions.

- Does Not Address Other Beneficiaries of Court-Ordered Debt.*** The Governor's proposal does not address the long-term solvency of other funds supported by fine and fee revenue. Many of these other funds have seen a decline in revenues in recent years with some currently facing shortfalls.



LAO Recommendations

- Reject Proposed Traffic Amnesty Program.** Given that the administration's revenue estimates appear high, will not address the long-term solvency of the funds, and may reduce future revenues, recommend the Legislature reject the proposed amnesty program.
- Restructure Proposed Changes to POTF Expenditures.** Recommend the Legislature take a more balanced approach to reducing POTF expenditures by (1) rejecting the proposed \$8.6 million expenditure increase, (2) directing POST to make targeted reductions (including those in its February report) and provide an updated expenditure reduction plan as part of the May Revision, and (3) directing POST to evaluate whether it should charge fees for some of its services.
- Reduce CTF Expenditures.** Recommend directing BSCC to (1) provide an expenditure reduction plan as part of the Governor's May Revision and (2) evaluate whether charging fees for some of its services could be appropriate.
- Approve Proposal to Zero-Base Programs Supported by the SPF.** Recommend approving proposal to zero-base budget programs supported by the SPF, in order to determine whether each program is using resources cost-effectively and is aligned with state priorities. Require submission of the analysis to the Legislature with Governor's 2016-17 budget proposal.
- Consider Comprehensive Evaluation of Funds Receiving Court-Ordered Debt Revenue.** In view of the decline in court-ordered debt in recent years and its impact on various state and local funds that benefit from such revenue, the Legislature may want to consider a more comprehensive evaluation of how court-ordered debt revenue should be used and distributed.



LAO Recommendations

(Continued)



Restructure Court-Ordered Debt Collection Process.

Recommend the Legislature restructure the existing debt collection process to maximize the collection of such revenue in a cost-effective manner. In our recent report *Restructuring the Court-Ordered Debt Collection Process*, we propose steps to achieve this. For example, we recommend a new incentive model that would likely increase the amount of debt collected, while ensuring such debt was collected in a cost-effective manner. This would leave more money available for distribution to support state and local programs.