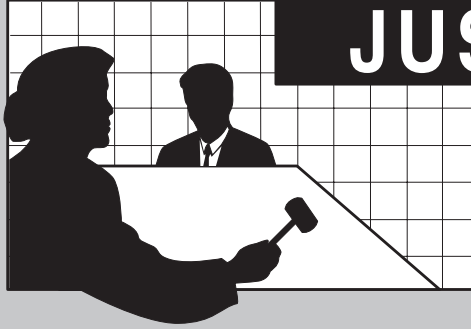


# JUDICIARY & CRIMINAL JUSTICE



60 YEARS OF SERVICE

2004-05 Analysis



# MAJOR ISSUES

## *Judiciary and Criminal Justice*

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### **2003 Parole Reforms Experience Implementation Delays**

- The *2003-04 Budget Act* required the Department of Corrections to implement a number of parole reforms designed to reduce parolee recidivism, and save money. We find that the department is experiencing implementation delays which will reduce the savings from these reforms. To achieve greater savings, we recommend that the Legislature consider further expansion of programs designed to prevent returns to prison. (See page D-50.)



### **Department of Corrections Continues to Experience Budget Deficiency**

- The Governor's budget proposes to fund most of CDC's \$540 million deficiency request submitted in October, including amounts for salary increases, retirement costs, and unanticipated growth in the inmate population. The remaining unfunded deficiency request—about \$50 million—includes recurring deficiency items, such as overtime and workers' compensation. We recommend that the administration propose a plan to reduce the department's ongoing deficiency. (See page D-43.)



### **\$400 Million in Unspecified Cuts to Corrections May Be Difficult to Achieve**

- The Governor's budget includes \$400 million in unidentified cuts, which the administration proposes to submit as part of the May Revision. Achieving spending reductions of this size in 2004-05 will require significant and immediate policy changes affecting the inmate population and labor costs—the two major determinants of the corrections budget. Given the magnitude of this proposal, we recommend the Legislature urge the administration to provide its plan before May to allow more time to review it. Given likely implementation delays, savings of that magnitude will be difficult to achieve. (See page D-45.)



### **Request for Over 1,200 Prison Positions Lacks Sufficient Detail**

- The administration's request for \$99.5 million and over 1,200 positions could result in reduced costs for overtime and temporary help. However, the budget lacks sufficient detail regarding the savings to be generated, or how the new positions will be distributed to institutions. We withhold recommendation, pending receipt of additional details. (See page D-68.)



### **Valdivia Remedial Plan Will Be Costly to State, but Not Included in Budget**

- In compliance with a federal judge's order in the case of *Valdivia v. Schwarzenegger*, the state recently submitted a plan to reform the parole revocation process. We believe that the implementation of this plan will result in significant costs for the state and possibly for local governments, as well. We recommend that the California Department of Corrections and the Board of Prison Terms report to the Legislature on the full fiscal impacts of this plan. (See page D-13.)



### **Elimination of Office of Inspector General Not Justified**

- The Governor has recently indicated that he plan's to withdraw the administration's budget proposal to eliminate the Office of the Inspector General. We think that eliminating the office would result in reduced oversight of California's correctional system. We recommend retaining the office, and offer suggestions for strengthening it. (See page D-18.)



### **Elimination of TANF Block Grant Could Have Unintended Consequences**

- The Governor's proposal to eliminate the TANF block grant for county juvenile probation could result in additional youthful offenders being sent to the Youth Authority, and thus increased state costs. As an alternative, we recommend that the Legislature consider suspending or eliminating the Citizens' Option for Public Safety and Juvenile Justice Crime Prevention Act grant programs, which would likely have less of an impact on public safety, without increasing state costs. (See page D-23.)

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# OVERVIEW

## *Judiciary and Criminal Justice*

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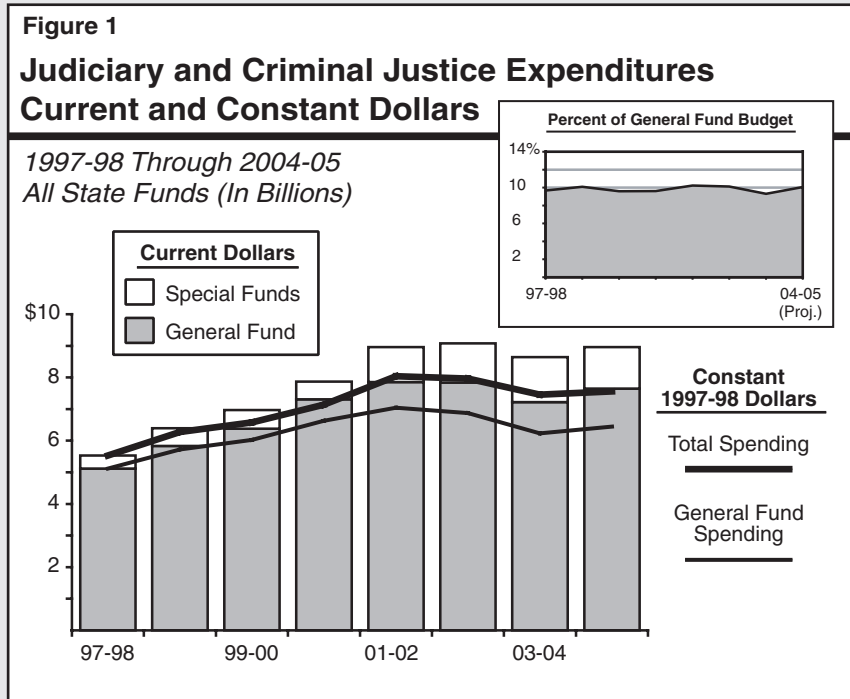
**G**eneral Fund expenditures for judiciary and criminal justice programs are proposed to increase in the budget year. However, this increase reflects the replacement of one-time federal funds with General Fund monies. Adjusting for these one-time savings, the budget actually proposes a decrease in spending for this area, which is mostly due to substantial unallocated reductions in spending for corrections and the courts and, to a lesser degree, a projected drop in the prison population.

## EXPENDITURE PROPOSAL AND TRENDS

**Budget Year.** The budget proposes General Fund expenditures of \$7.6 billion for judiciary and criminal justice programs, which is about 10 percent of all General Fund spending. This amount represents an increase of \$425 million, or 6 percent, above estimated current-year spending. This increase does not reflect a policy choice, but is the result of back-filling for federal funds (\$852 million) that do not continue in the budget year. This increase also masks substantial reductions in judiciary and criminal justice programs, which would otherwise equate to a more than 5 percent decrease in General Fund spending.

**Historical Trend.** Figure 1 (see next page) shows expenditures from all state funds for judiciary and criminal justice programs since 1997-98. These expenditures have been reduced to reflect federal funds the state has or is expected to receive to offset the costs of incarceration and parole of undocumented felons. The figure shows General Fund expenditures for judiciary and criminal justice programs are projected to increase by \$2.5 billion between 1997-98 and 2004-05, an average annual increase of 6 percent. General Fund expenditures increased during this period mostly due to (1) the state's assumption of primary responsibility for funding trial court operations enacted in 1997 and (2) increased labor costs to operate the state corrections system, as well as court-ordered expansions of inmate health and mental health services.

Combined General Fund and special funds spending is projected to increase by \$3.4 billion between 1997-98 and 2004-05, an average annual increase of 7 percent.



## SPENDING BY MAJOR PROGRAM

Figure 2 shows expenditures from all sources for the major judiciary and criminal justice programs in 2002-03, 2003-04, and as proposed for 2004-05. As the figure shows, the California Department of Corrections (CDC) accounts for the largest share of total spending in the criminal justice area, followed by Trial Court Funding. On a percentage basis, the largest overall reduction in these major departments is proposed for the Youth Authority, followed by CDC. The smallest reduction is proposed for the Department of Justice.



**Figure 2****Judiciary and Criminal Justice Budget Summary**

2002-03 Through 2004-05  
(Dollars in Millions)

	Actual 2002-03	Estimated 2003-04	Proposed 2004-05	Change From 2003-04	
				Amount	Percent
<b>Department of Corrections</b>					
General Fund	\$5,183.2	\$4,742.2	\$5,155.6	\$413.4	8.7%
Special funds	48.0	54.6	52.5	2.1	-3.9
Reimbursements and federal funds	103.8	933.3	75.3	-858.0	-91.9
<b>Totals</b>	<b>\$5,335.0</b>	<b>\$5,730.1</b>	<b>\$5,283.4</b>	<b>-\$446.7</b>	<b>-7.8%</b>
<b>Department of the Youth Authority</b>					
General Fund	\$358.1	\$361.4	\$316.7	-\$44.7	-12.4%
Reimbursements and federal funds	67.6	73.4	61.4	-12.0	-16.4
<b>Totals</b>	<b>\$425.7</b>	<b>\$434.8</b>	<b>\$378.1</b>	<b>-\$56.7</b>	<b>-13.0%</b>
<b>Federal Offset for Undocumented Felons</b>					
	<b>-\$85.4</b>	<b>-\$66.2</b>	<b>-\$66.2</b>	<b>—</b>	<b>—</b>
<b>Trial Court Funding</b>					
General Fund	\$1,092.4	\$1,051.7	\$1,115.7	\$64.0	6.1%
Special funds	554.6	728.5	627.4	-101.1	-13.9
County contribution	475.1	475.1	475.1	—	—
<b>Totals</b>	<b>\$2,122.1</b>	<b>\$2,255.3</b>	<b>\$2,218.2</b>	<b>-\$37.1</b>	<b>-1.6%</b>
<b>Judicial</b>					
General Fund	\$289.5	\$303.6	\$302.6	-\$1.0	-0.3%
Other funds and reimbursements	49.7	78.5	71.2	-7.3	-9.3
<b>Totals</b>	<b>\$339.2</b>	<b>\$382.1</b>	<b>\$373.8</b>	<b>-\$8.3</b>	<b>-2.2%</b>
<b>Department of Justice</b>					
General Fund	\$306.4	\$311.6	\$297.6	-\$14.0	-4.5%
Special funds	259.1	289.2	291.4	2.2	0.8
Federal funds	28.6	31.3	32.9	1.6	5.1
<b>Totals</b>	<b>\$594.1</b>	<b>\$632.1</b>	<b>\$621.9</b>	<b>-\$10.2</b>	<b>-1.6%</b>

## MAJOR BUDGET CHANGES

Figure 3 presents the major budget changes for judiciary and criminal justice programs. These and other changes are described below.

***Budget Proposes Major Spending Reductions and Policy Changes, but Few Details.*** The budget proposes substantial reductions to judiciary and corrections programs. However, it does not provide specific details on how most of the savings will be accomplished in 2004-05. Instead, it proposes large unallocated reductions as a placeholder for proposals that will be submitted to the Legislature as part of the May Revision, including \$400 million in corrections cuts, and nearly \$70 million in reductions to the courts (\$59 million from the trial courts and \$8.5 million from the judicial branch). This represents the second round of one-time unallocated reductions to the courts in the last two years.

The budget also proposes significant policy changes in the Youth Authority, including reducing the age jurisdiction of the department, and authorizing the transfer of certain juveniles to the adult prison system. At the time this analysis was prepared, the details of these proposals had not been provided to the Legislature.

***Corrections Budget Highly Dependent on Timely Implementation of Changes.*** The budget relies on population-related savings from a series of recent parole policy changes aimed at reducing the number of nonviolent inmates. Because of this, the budget projects the prison population will drop by more than 10,000 by June 30, 2005. The CDC has already experienced some minor delays in implementing these changes. Continued delays could substantially erode a key piece of the budget solution for the current and budget years.

***More Corrections and Court Spending to Come.*** The budget does not include funds to cover the costs associated with delays in the implementation of parole and other policy changes. It also does not include funds to implement the parole revocation process changes required by the *Valdivia* lawsuit. (See our analysis on *Valdivia* in the "Crosscutting Issues" section of this chapter.) In addition, some corrections savings included in the budget may be overstated such as the savings from the closure of the Fred C. Nelles Youth Correctional Facility in Whittier. Finally, the budget does not include funding for some reoccurring expenses in the court budget, including amounts for negotiated salary increases, court security, and increased county charges for services they provide to the courts. The administration indicates that budget augmentations for these and other proposals will be submitted to the Legislature in the spring, or included by way of executive order in the case of court salary adjustments.

Figure 3

### Judiciary and Criminal Justice Proposed Major Changes for 2004-05 All Funds

<b>Department of Corrections</b>	<b>Requested:</b>	<b>\$5.3 billion</b>
	<b>Decrease:</b>	<b>\$446.7 million (-7.8%)</b>

- \$400 million for unallocated reduction
  - \$56 million from a projected decrease in inmate population
- 
- + \$29 million for increased costs in inmate health care
  - + \$67 million from a projected increase in parole population
  - + \$100 million for 1,200 "relief" positions
  - + \$852 million to adjust for one-time federal funds

<b>Department of the Youth Authority</b>	<b>Requested:</b>	<b>\$378.1 million</b>
	<b>Decrease:</b>	<b>\$56.7 million (-13.0%)</b>

- \$44 million from closure of youth correctional facilities

<b>Trial Court Funding</b>	<b>Requested:</b>	<b>\$2.2 billion</b>
	<b>Decrease:</b>	<b>\$37.1 million (-1.6%)</b>

- \$59 million from unallocated reduction
- \$30 million General Fund loan from Court Construction Fund

<b>Judicial</b>	<b>Requested:</b>	<b>\$373.8 million</b>
	<b>Decrease:</b>	<b>\$8.3 million (-2.1%)</b>

- \$9.8 million unallocated reduction

<b>Department of Justice</b>	<b>Requested:</b>	<b>\$622 million</b>
	<b>Decrease:</b>	<b>\$10.2 million (-1.6%)</b>

- \$3 million unallocated reduction
- \$2.5 million from expiration of *Plata* lawsuit

***Court Fee Revenue Lower Than Projected.*** The 2003-04 Budget Act authorized increased court fees to ease the impact of budget reductions. The fees are now expected to generate nearly \$30 million less than originally projected, thereby potentially placing the courts at some risk for budgetary shortfalls in 2003-04. However, since the lower-than-anticipated revenue is partially explained by typical first-year implementation delays, fee revenue can reasonably be expected to increase in the budget year, as the courts will have a full 12 months of collections. In reviewing the court budget, the Legislature should closely monitor these revenues, as this may ultimately determine the level of resources needed in the budget year to fund core court services.

***State Continues to Borrow From Court Facilities Construction Fund.*** The 2003-04 Budget Act borrowed \$80 million from the State Court Facilities Construction Fund to reduce General Fund expenditures for the courts in the current year. The Governor's budget proposes to borrow another \$30 million from this fund in 2004-05. This second withdrawal will likely result in continued deferral of needed court facility improvements, which would result in further erosion of some facilities and thus increased future costs to repair such facilities.

***County Probation to Lose TANF Funds.*** The Governor's budget allows the Temporary Assistance to Needy Families (TANF) block grant for county probation services to sunset. Currently, these federal funds (\$134.3 million) support juvenile residential treatment facilities, including juvenile camps, forestry camps, and ranches. Under the Governor's proposal, these funds will be used in the California Work Opportunity and Responsibility to Kids Program or offset General Fund expenditures in other social services programs. The budget also proposes to continue the Citizens' Option for Public Safety (COPS) and Juvenile Justice Crime Prevention Act (JJCPA) grant programs at the reduced level of \$100 million each. We examine this proposal and offer recommendations for legislative consideration in the "Crosscutting Issues" section of this chapter.

# CROSSCUTTING ISSUES

*Judiciary and Criminal Justice*

## VALDIVIA REMEDIAL PLAN FOR PAROLE REVOCATION

*In compliance with a federal judge's order in the case of Valdivia v. Schwarzenegger (previously Valdivia v. Davis), the state recently submitted a plan to reform the parole revocation process. The court found that the current system unfairly denied parole violators their rights to a probable cause hearing and a speedy trial. We believe that the implementation of this plan will generate significant costs for the state and possibly for local governments, as well. We recommend that the California Department of Corrections and the Board of Prison Terms report to the Legislature on the full fiscal impacts of this plan.*

### **Background**

**Current Parole Revocation Process.** The current parole revocation process begins when a parole agent or local law enforcement agency detains a parolee for a suspected violation of the law or conditions of parole. If the parole agent and his or her supervisor feel that parole should be revoked, the parolee is taken into custody and the case is referred to the Board of Prison Terms (BPT) for review. After an initial administrative review of the case, the BPT presents the parolee with a "screening offer" which is a proposal for a specific term of incarceration in exchange for the immediate conclusion of the case. If the parolee accepts the screening offer, he begins the sentence immediately. If the parolee rejects the offer, he must continue to wait in jail or at the state reception center where he is being confined until a revocation hearing can be held.

At the revocation hearing, a BPT deputy commissioner reviews the parolee's case and hears testimony from the parole agent, parolee, and witnesses. Based on the information provided at the hearing, the deputy commissioner decides whether there is sufficient evidence to revoke the parolee and, if so, what sentence would be most appropriate.

Parole agents referred approximately 90,000 revocation cases to BPT last year, and BPT held about 40,000 revocation hearings. The BPT spent over \$14 million to administer the revocation process last year. This total does not include the costs to the California Department of Corrections (CDC) for parole agents' role in revocation or the costs to incarcerate revoked parolees.

***Federal Court Requires Reforms.*** In 1994, a class action lawsuit was brought against the state, on behalf of parolees, alleging that the parole revocation process violates their rights to due process under the Fourteenth Amendment of the United States Constitution. Specifically, the plaintiffs argued that parolees had no opportunity to challenge the contents of the case against them, present their own evidence, or question witnesses prior to the revocation hearing. Plaintiffs also claimed that the length of time it takes to conduct the revocation process—over a month and sometimes longer than three months—was excessive. In June 2002, a federal district court ruled in favor of the plaintiffs and ordered the state to work with plaintiff's counsel to develop a remedial plan to rectify the identified problems.

## Implementation 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.*** The plan creates a probable cause hearing to take place prior to the revocation hearing. The probable cause hearing must take place within ten business days of when CDC notifies the parolee that he is being charged with a violation. At the probable cause hearing parolees will be allowed to present evidence on their own behalf, and they will have an opportunity to accept or reject BPT's screening offer.
- ***Requires Revocation Hearing Within 35 Calendar Days.*** The plan also requires that every revocation hearing be held within 35 days of the parolee's arrest rather than the three months or longer it can take currently.

- ***Requires Attorneys for All Parole Violators.*** The plan requires that CDC provide attorneys to all parolees who are charged with a violation. These attorneys will prepare the parolee's case for both the probable cause hearing and the revocation hearing. Under current practice, only parolees with disabilities, such as a learning disability that would impair their ability to understand the proceedings, are provided an attorney for their revocation hearing.
- ***Permits Greater Use of Intermediate Sanctions.*** The implementation plan also allows deputy commissioners of BPT to assign nonviolent and nonserious parole violators to intermediate sanctions, such as electronic monitoring, in lieu of prison time. This provision builds on the reforms instituted by CDC in the current year that allow parole agents to utilize intermediate sanctions, thereby reducing the number of nonviolent parole violators returned to prison (see page XXX). The agreement assumes that the use of intermediate sanctions by parole agents and BPT will 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.
- ***Establishes Implementation Deadlines.*** The remedial plan requires BPT and CDC to begin the implementation of all provisions except the probable cause hearing by July 2004. All provisions of the remedial plan must be fully implemented by July 2005.

### **Impact of Valdivia Plan on State and Local Governments**

Neither CDC nor BPT have been able to provide a fiscal estimate of the impact of the *Valdivia* implementation plan on state and local governments. However, both agencies have suggested that an estimate will be produced as part of the May Revision. We believe that there are at least four significant fiscal impacts that will occur as a result of the *Valdivia* plan.

- ***State Costs for Implementation.*** The plan creates several new steps in the revocation process, including the provision of lawyers, creation of the probable cause hearing, an expedited 35-day revocation hearing requirement, and use of intermediate sanctions. The implementation of each of these provisions will likely require funding for additional staff to fulfill those functions. The CDC has also suggested that it will require one-time funding to convert some facilities to operate the revocation process in accordance with the remedial plan.

- ***Attorney's Fees and Court-Ordered Fines.*** The state may also face court-related costs from the *Valdivia* agreement. The remedial plan requires the state to pay for any fees to the plaintiff's attorney necessary to monitor and enforce the plan. Also, the court retains the authority to enforce this agreement, including the use of monetary fines against the state. If problems implementing the remedial plan occur, such as a delay in putting into place the probable cause hearing, the court may levy monetary sanctions against the state.
- ***Some Offsetting State Savings From Reduced Caseload.*** The use of intermediate sanctions by CDC parole agents should result in a reduction in the number of cases referred to BPT, and the use of those sanctions by BPT should further reduce the percent of cases reaching a revocation hearing. The diminished BPT caseload should reduce the staffing necessary for revocation hearings. In addition, the CDC inmate population should decline as BPT makes use of intermediate sanctions in lieu of prison for parole violators.
- ***Possible Local Law Enforcement Costs.*** The state use of intermediate sanctions may prompt some local law enforcement agencies to prosecute parolees more often in local courts. Under the current revocation process, local prosecutors have the discretion of whether to prosecute parolees who commit new crimes. Prosecutors often forgo the expense and uncertainty of these criminal trials, instead relying on the state-operated revocation process to put these offenders in prison. We believe the new revocation process may result in some local prosecutors bringing criminal cases against some criminal violators who parole agents choose to assign to intermediate sanctions. To the degree that increased criminal prosecutions occur, local governments would experience an increase in costs associated with conducting the criminal trial and the jailing of suspected and convicted parolees. In addition, the state would bear the cost of incarcerating some parolees convicted in local courts. According to local and state representatives, the CDC, BPT, and the Youth and Adult Correctional Agency are currently working with local law enforcement officials to coordinate state and local efforts to ensure public safety and minimize any adverse fiscal impacts on local governments.

## **Analyst's Recommendation**

At the time this analysis was prepared, the agencies were unable to identify the fiscal impact of the *Valdivia* settlement, and no expenditures



are proposed in the Governor's budget for the implementation of the remedial plan. Administration officials state that an implementation proposal will be part of the May Revision. However, we are concerned that submission of the proposal at that time will provide limited opportunity for review by the Legislature. For this reason, we recommend that BPT and CDC report to the Legislature at budget hearings on the fiscal impact of the *Valdivia* remedial plan. In particular, the departments should provide their estimates of the number of probable cause and revocation hearings that will occur, the staffing required to implement the plan, the amount of any offsetting savings, the projected impact on local governments, and any other expected costs.



## ELIMINATION OF INSPECTOR GENERAL NOT JUSTIFIED

*We recommend that the Legislature reject the Governor's proposal to eliminate the Office of the Inspector General (OIG), and transfer some of its function to the Youth and Adult Correctional Agency because it would result in a reduced level of oversight, and could jeopardize the quality of future investigations. Moreover, the administration has not provided adequate justification for the proposal. We discuss our concerns in detail below, and provide options for strengthening the OIG's oversight role.*

### **Background**

In the early 1990s, the California Department of Corrections (CDC) faced a succession of highly publicized internal affairs cases alleging serious misconduct on the part of its personnel, particularly at the Corcoran and Pelican Bay state prisons. At the same time, CDC's internal affairs system was believed to be ineffective and inefficient in its ability to deter personnel misconduct, to investigate misconduct when it did occur, or to discipline those who violate department personnel policies or the law.

In response to these ongoing problems, Chapter 766, Statutes of 1994 (SB 1462, Maddy), was enacted to establish the Office of the Inspector General (OIG) within the Youth and Adult Correctional Agency (YACA). The OIG's role was to (1) review departmental policies and procedures for conducting investigations, as well as compliance with the same; (2) investigate allegations of personnel misconduct, including complaints of retaliation and other wrongdoing; and (3) recommend related corrective action. In 1998, following continued complaints of personnel misconduct within CDC, the Legislature moved OIG out of YACA and established it as the only independent state agency responsible for oversight and investigation of correctional programs, reporting directly to the Governor.

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In fiscal years 2002-03 and 2003-04, the Legislature and the Governor made significant reductions to the OIG's budget, reducing it from a high of \$11 million in 2001-02 to \$2.8 million in the current year. These reductions were made as part of the effort to address the state's budgetary shortfall.

### **Inadequate Justification for Elimination of OIG**

*Governor's Budget Proposal.* The Governor's budget proposes to eliminate the OIG for a General Fund savings of \$2.8 million and to transfer selected oversight functions, and six positions to the YACA Secretary. The Governor also proposes to augment the YACA budget by \$630,000 to fund these positions. Under the proposal, the Inspector General staff will report directly to the YACA Secretary.

*Ongoing Problems Suggest Need for More, Not Less Oversight.* Since the establishment of the office, the Inspector General has (1) conducted 48 management review audits and special reviews of state correctional agencies and programs; (2) responded to more than 16,000 complaints via mail and through its toll-free call center; (3) investigated more than 1,400 allegations of misconduct by correctional staff and management; and (4) performed quality control reviews of more than 4,000 internal affairs investigations conducted by the investigative units of the Department of Corrections (CDC) and the Youth Authority.

As a result of these audits and investigations, the OIG has produced a number of findings of inefficient management practices and wrongdoings by correctional departments and staff. For example, in recent years OIG has identified shortcomings in CDC's fiscal audits unit, inefficient staffing in the Board of Prison Terms, and cases of abuse by Youth Authority staff. In addition, a recent federal court report regarding Pelican Bay State Prison concurred with OIG's findings in 2001 of deficiencies in CDC's efforts to investigate and discipline officer misconduct. Findings such as these suggest a continued need for oversight of correctional departments.

*Proposal Would Reduce Independent Oversight.* We have three concerns with the Governor's proposal to eliminate OIG. First, it would severely reduce the level of oversight of the state's correctional departments by reducing OIG resources from 24 to six positions. Administration officials have not proposed a detailed plan of how YACA would utilize these six positions, but the decrease in investigative staff would reduce both the number and the depth of investigations and audits conducted of correctional departments and institutions. As a result, this proposal would likely result in some cases of misconduct, abuse, and inefficiency to go unidentified.

Second, we are concerned that placing investigative positions in YACA could jeopardize the quality of oversight by housing the investigative staff in the very agency they are supposed to oversee. Because YACA and its departments work so closely together and share similar missions, there is a potential that departments might have undue influence on investigations initiated within the agency. Should such influence occur, it could affect the selection, quality, and outcomes of investigations. As we indicated earlier, the OIG was originally placed in YACA, but was later removed because the Legislature wanted to ensure OIG's independence when conducting its investigations and oversight.

Third, the Governor's proposal could result in state costs in the long run. One benefit of the OIG is the potential cost savings to the state resulting from the identification of inefficient and ineffective prison policies. Since the Governor's proposal would result in a reduced level of oversight, it could potentially result in unidentified wasteful practices continuing, thereby resulting in unnecessary General Fund costs.

## **Recommendation**

In view of the above, we recommend the Legislature reject the Governor's proposal to eliminate OIG and transfer the positions to YACA. Retaining OIG as a separate agency would enable the state to maintain a significant level of oversight of the correctional system. In addition, it would allow the office to retain some independence from correctional officials, thereby decreasing potential conflicts of interest. Finally, it may reduce General Fund costs to the extent the OIG is able to identify wasteful prison policies. (At the time this analysis was prepared, the administration announced it was modifying its proposal. The specifics of the modified proposal were unknown.)

## **Options for Strengthening the Office of the Inspector General**

*Although the Office of the Inspector General has made several significant findings and recommendations over the years, few of these have been acted upon by the Youth and Adult Correctional Agency. While the Legislature has taken some actions to strengthen the office, the Legislature may wish to consider additional options for strengthening the office, as we discuss below.*

**Making the OIG's Findings and Recommendations Stick.** One concern that has been raised regarding OIG is that its audit and investigation recommendations often are not adopted or implemented by the correctional system, specifically CDC. The Inspector General's role has been mainly to conduct audits and investigations within the correctional sys-

tem and report its findings. However, there is no mechanism in state law for routinely holding the correctional system accountable for addressing OIG's findings, and thus little incentive for departments to implement OIG's findings and recommendations. To address this concern, the Legislature may wish to consider the following options.

- ***Greater Public Access to Investigations.*** To increase the level of public awareness about the state's correctional system, and enhance the Legislature's ability to hold individuals accountable for their actions, the Legislature may wish to enact legislation making summaries of investigative reports available to the public. We suggest modeling the public investigative report process along the lines of the California Whistleblower Protection Act administered by the State Auditor. Pursuant to Government Code provisions, the identities of the individuals found to have been involved in misconduct remain confidential and the affected department must indicate what corrective action has been taken to address the misconduct under specified time frames. The State Auditor subsequently publishes summaries of its investigations where complaints have been substantiated. A similar process of providing greater public access to OIG's findings may be warranted.
- ***Require Annual or Biannual Reports to the Legislature.*** Requiring the OIG to report to the Legislature on an annual or biannual basis would provide the Legislature a regular opportunity to follow-up on the audits and investigations and to discuss them with the Inspector General.

***Enhance OIG's Independence.*** One option for strengthening the independence of the office is to appoint the Inspector General for a fixed term of six, eight, or ten years. The benefit of the longer 10-year term is that the Inspector General's terms of office could span the length of at least two gubernatorial terms.

***What Is the Optimal Size of the Office of the Inspector General?*** There are a couple of issues to consider in regards to this question. First is the size of the correctional system. California's correctional system is large and its prisons and youth correctional facilities are spread across the state. For this reason, it may make sense to have regional offices—perhaps one in the northern part of the state and one in the south with central headquarters in Sacramento. This is essentially how the office was structured prior to recent budgetary reductions.

Second, the size of the office would be determined, in part, by the level of oversight desired by the Legislature, and the OIG's relationship to other investigative offices within the system. For example, in addition

to investigations of alleged misconduct, if the Legislature wished to have the OIG perform management reviews of individual prisons, this may require a higher level of staff resources. If the OIG's role in relation to CDC investigators, for example, were to provide a second level of review, this would tend to offset the need for additional resources.

In sum, the size of the office should be based on the size of the system, the level of oversight responsibility the Legislature requires of the OIG, and the role of OIG in relation to other investigation efforts such as CDC's Office of Investigative Services. Initially, a restoration of the current-year funding level of \$2.8 million (and 24 positions) would seem reasonable. In subsequent years, funding could be based on a plan required to be submitted to the Legislature by the incoming Inspector General as part of the 2005-06 budget.

**Conclusion.** The serious issues currently facing the state with regard to its correctional system suggest a need for significant independent oversight of the system. The Governor's proposal would reduce the level of state oversight, as well as the independence of the Inspector General by significantly reducing the number of investigative staff, and by requiring that OIG report directly to the Secretary of YACA. We recommend that the Legislature reject the Governor's proposal and consider options for strengthening OIG's office, such as providing greater public access to investigations, requiring routine reports to the Legislature, and appointing the Inspector General for a fixed term in office.



## REDUCING TANF BLOCK GRANT FOR PROBATION COULD HAVE UNINTENDED CONSEQUENCES

*The Governor's budget proposes to allow the Temporary Assistance for Needy Families block grant funds which are provided to county juvenile probation programs to expire, thereby reducing funding for local probation services, including residential facilities such as juvenile halls, camps, and ranches. We provide some background information on county probation services, discuss the potential impact of the proposed reduction, and offer options for legislative consideration.*

**Background.** In California, counties are the primary provider of services to youthful offenders and juveniles at risk of becoming involved in the criminal justice system. In fact, the counties handle more than 95 percent of juveniles involved in the criminal justice system. Specifically, county probation departments provide a range of services designed to meet the diverse needs of juvenile offenders, at-risk youth, and to a lesser degree their families. These services range from after-school programs designed for relatively low-level at-risk youth, to formal counseling, alcohol and drug treatment services. Services are provided both in the community and in residential facilities, such as juvenile halls, camps, and ranches. Generally, the purpose of these programs is public safety and rehabilitation. The effectiveness of the counties in responding to juvenile crime has an impact on public safety, as well as the population of the state's youth correctional facilities and prisons.

**How Are Juvenile Probation Programs Funded?** Juvenile probation programs are funded by a combination of sources, including local general fund, state subvention grants, and federal funds. The most significant state funding source is the Juvenile Justice Crime Prevention Act (JJCPA) grant program administered by the Board of Corrections. In 2003-04, this program provided \$100 million for crime prevention programs. The most significant source of federal funds is the federal Tempo-

rary Assistance for Needy Families (TANF) block grant, which has historically provided approximately \$200 million for probation services. Data on county general fund spending for probation services statewide are not available.

Before the establishment of the TANF block grant, county juvenile probation services were partially supported by federal Title IV-A funds (named after the section of the Social Security Act authorizing the funding program). However, this program was eliminated in 1995. In order to restore juvenile probation services, the Legislature enacted the Comprehensive Youth Services Act as part of welfare reform, which authorized TANF funding for the counties based upon their Title IV-A probation services expenditures. (Welfare reform also established the California Work Opportunity and Responsibility to Kids [CalWORKs] program which provides cash grants and employment services to low-income families.) It should be noted that county probation department claims filed for reimbursement under the old Title IV-A program were taken into consideration by the federal government in determining California's share of TANF funds, and thus increased the state's TANF block grant by approximately \$140 million. Under current law, the TANF block grant for juvenile probation programs sunsets in October 2004.

***What Services Are Funded by the TANF Block Grant?*** While comprehensive data are not available on precisely how the TANF block grant funds are used by county probation departments, a 2003 report on TANF-funded probation services conducted by the RAND Corporation suggests that these funds support a variety of juvenile probation services, including anger management, family mentoring, and mental health assessment and counseling to name a few. However, the report indicates that most of the funding is probably used for services provided to youth detained in juvenile halls, camps, and ranches.

***Governor's Budget Proposal.*** Pursuant to current law, the administration has proposed to allow the block grant funding to sunset in October 2004, resulting in a reduction of \$134 million in 2004-05 for juvenile probation programs. The budget includes \$67 million for these services from July through October 2004. Starting in November, however, these funds would be retained by the CalWORKs program

***Impact of Proposal on Probation Services for At Risk Juveniles.*** While data are not readily available on total spending for juvenile probation programs statewide, the RAND report estimates that the TANF block grant represents between 10 percent and 15 percent of county spending for juvenile probation services. The loss of these funds will affect counties differently depending on how the funds are used, and whether and to what extent counties backfill for the loss of these funds. Our discus-



sions with county probation department representatives and other criminal justice experts suggest that the proposed reduction could have a significant impact on the ability of counties to operate their juvenile camps.

The grants funded from this source range from \$5,000 (Sierra County) to \$68 million (Los Angeles County). In some counties, the TANF funds are used largely to contract with community-based organizations, while in other counties the funds are used to support county probation department staff. In 1995, when the Title IV-A funding was eliminated, some county boards of supervisors increased funds from other sources to back-fill for the loss of those funds, while others did not.

***Impact on Public Safety and State Costs.*** As we indicated above, the local system of juvenile probation is the first line of defense against future criminality for these youthful offenders. Research has shown that early intervention programs can be effective in preventing future crime by youthful offenders. To the extent that these programs are no longer available, it could result in a reduced level of public safety. For example, because of the potential reduced number of residential treatment beds, lower level juvenile offenders—who currently benefit from intervention services provided in the camps and ranches—may be retained in the community with no intervention services, thereby posing a greater risk to public safety.

The proposed reduction could also result in more juveniles being sent to the state Youth Authority, thereby increasing General Fund costs. Because of the reduced number of residential treatment beds at the local level, juvenile court judges and probation officers may have few alternatives to sending certain juveniles to the Youth Authority. This effect would be somewhat mitigated by the sliding fee schedule that requires counties to pay a share of the cost for Youth Authority commitments that fall into lower-level offense categories. (See our *2002-03 Analysis*, page D-48, for a detailed description of county sliding scale fees.) It is unknown whether these potential costs resulting from a greater number of Youth Authority commitments would fully offset the General Fund savings resulting from the Governor's proposal to eliminate the TANF block grant. This would depend on the number of juveniles placed in the Youth Authority rather than in local facilities due to this proposal.

***Impact May Be Somewhat Mitigated by Downward Trends in Juvenile Crime.*** Because of recent declines in juvenile crime, probation departments may be able to consolidate some camp and ranch operations—as the state is currently doing with its Youth Authority facilities—which would mitigate the impact of the proposed reduction. The juvenile felony arrest rate has been declining for several years. For example, between 1997 and 2002, there was a 35 percent decrease in the rate of felony juve-

nile arrests. For *violent* felonies over this same period, there was a 34 percent decrease in the rate of juvenile arrests. In 2002, the juvenile felony arrest rate reached its lowest level in decades. This trend corresponds to a significant reduction in the number of juveniles detained in both local and state youth correctional facilities.

In addition, the population of California residents between 5 years and 17 years of age is projected to experience below average growth over the next decade, which should have the effect of further reducing the number of youthful offenders in California's communities and correctional facilities. As such, there may be a reduced need for certain types of juvenile probation services at the local level. However, we caution against blanket program reductions based upon these data. This is because the downward trend in juvenile arrests may reflect a combination of factors including a potential shift of local law enforcement priorities, or improvements in the administration and effectiveness of crime intervention and prevention programs.

***Legislature Should Consider Other Alternatives.*** As an alternative to the Governor's proposal, we recommend that the Legislature consider eliminating or suspending the Citizens' Option for Public Safety (COPS) and JJCPA grant programs. Based upon our discussions with probation representatives, it is our understanding that in many counties the TANF block grant supports "core services." This is because in many counties the block grant funds support longstanding services that were originally funded by the Title IV-A program before its elimination in 1995.

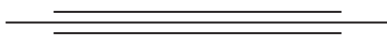
***Juvenile Justice Crime Prevention Act Grant Program.*** In contrast, the JJCPA grants (for which the Governor's budget proposes \$100 million in 2004-05) support program "add-ons" or enhancements that are still in the early stages of development. It should also be noted that, in many counties, a significant portion of the JJCPA grants allocated in 2004-05 would not be spent until 2005-06. As such, most county probation departments and contracted service providers would have a year to adjust to the loss of JJCPA grants. The results of the JJCPA program evaluations are expected to be released in March 2004 which should assist the Legislature with its deliberations regarding the program.

***Citizens' Option for Public Safety.*** The COPS program supports local law enforcement, including county sheriffs for jail operations, district attorneys for criminal prosecution, and cities and counties for frontline law enforcement. As we have noted in the past, COPS lacks a specific measurable statewide objective. Moreover, COPS funding (\$100 million in 2004-05) equates to less than 1 percent of local law enforcement expenditures statewide, thus raising questions about the potential impact of the program on public safety. One recent study examining state and local

expenditures nationwide shows that California has the third highest ranking in the nation with regard to per capita expenditures for police protection. This suggests that California's local governments place a high priority on law enforcement.

We would also note that a significant amount of COPS expenditures is not used for direct services. For example, our examination of COPS expenditures in 2001-02 (the latest year for which complete data are available) shows that while 63 percent of COPS funding supported salaries and benefits, 19 percent went to services, supplies, and overhead, and 18 percent went to equipment. Thus, the elimination of this program would likely have a minimal effect, if any, on public safety. (Please also see our discussion of COPS program funding in our analysis of the property tax shift in Part V of our companion document, *The 2004-05 Budget: Perspectives and Issues*.)

**Summary.** Our analysis indicates that the proposed TANF block grant reduction could result in the loss of core probation services for juvenile offenders, which could result in a lower level of public safety, and increased General Fund costs resulting from a greater number of Youth Authority commitments. We have identified other programs that could be eliminated or suspended as an alternative to the TANF block grant. Based on our analysis and discussions with probation officials and other criminal justice experts, we conclude that the elimination or suspension of COPS and/or JJCPA grants would achieve the same (or a greater) level of budget savings, and potentially have less of an impact on public safety, without increasing General Fund costs.



## OFFICE OF CRIMINAL JUSTICE PLANNING ELIMINATION: UPDATE

*The 2003-04 Budget Act required the Department of Finance to submit an interim plan to transfer the Office of Criminal Justice Planning's programs on October 1, 2003, and a Reorganization Plan on March 1, 2004. In this analysis, we summarize and comment on the interim plan and identify issues that we believe need to be addressed in the Reorganization Plan.*

### Background

In the *Analysis of the 2003-04 Budget Bill*, we recommended the shifting of the Office of Criminal Justice Planning's (OCJP's) programs to other departments because OCJP's mission and programs overlapped significantly with those of other departments and because of OCJP's history of poor performance in the administration of its program. The Legislature and Governor, as part of the *2003-04 Budget Act*, agreed to dismantle the department and transfer its programs. Specifically, the act required that the Department of Finance (DOF) submit an interim plan on October 1, 2003 to the Chair of the Joint Legislative Budget Committee (JLBC) and a Reorganization Plan to the Legislature on March 1, 2004.

### Interim Plan to Eliminate OCJP

As required by the *2003-04 Budget Act*, the interim plan identified the state agencies that will receive the OCJP's programs, the necessary funds the receiving departments will require to operate these programs, and the savings resulting from the closure of OCJP. Specifically, the plan proposed to transfer OCJP's juvenile justice programs to the Board of Corrections (BOC), public safety programs to the Office of Emergency Services (OES), and the victims' services programs to OES. The plan also

identified 50 positions for elimination at an estimated total savings (General Fund and federal funds) of \$504,000, and \$2,285,000 in 2003-04 and 2004-05, respectively. Figure 1 shows the amount of funding associated with the transferred programs.

<b>Figure 1</b>					
<b>Programs Transferred From OCJP To Other State Agencies</b>					
<i>(In Millions)</i>					
<b>Programs Transferred</b>	<b>Receiving Agency</b>	<b>Proposed 2004-05 Funding</b>			
		<b>General Fund</b>	<b>Federal Funds</b>	<b>Special Funds</b>	<b>Total</b>
<b>Juvenile Justice</b>	Board of Corrections	\$0.5	\$35.6	—	\$36.1
Juvenile Justice programs provide funding to locals for prevention, intervention, and the development of alternatives to incarceration. Some of these programs include the Juvenile Accountability Incentive Block Grant, the Delinquency Prevention and Intervention Program, and Challenge Activities.					
<b>Public Safety</b>	Office of Emergency Services	\$27.2	\$68.8	\$16.1	\$112.1
Public Safety programs provide funding to law enforcement agencies for crime prevention, investigation, and prosecution. Some of these programs include the High Technology Crime Program, Rural Crime Prevention Program, and the War on Methamphetamine program.					
<b>Victim Services</b>	Office of Emergency Services	\$1.8	\$71.9	\$16.3	\$90.0
Victim Services funds programs that assist victims in overcoming the crimes committed against them and in crime prevention programs. Some victims programs include the Victim/Witness Assistance program, Domestic Violence program, and Rape Crisis programs.					
<b>Totals</b>		<b>\$29.5</b>	<b>\$176.3</b>	<b>\$32.4</b>	

Upon reviewing the interim plan, the Chair of the JLBC found it to be generally consistent with legislative intent and, therefore, recommended approval of the plan. However, the Chair identified several issues that should be addressed as part of the Governor’s Reorganization Plan.

## Issues for Governor's Reorganization Plan

***Freed-Up Federal Funds.*** First, the plan should specify how the administration proposes to spend approximately \$2 million in freed up federal funds. It is our understanding that these funds can be allocated for program administration and/or grant awards. Providing such information will allow the Legislature an opportunity to provide input regarding the allocation of these funds.

***Nexus Between Program and Receiving Department.*** Second, the plan should demonstrate a nexus between the programs being transferred from OCJP and the programs currently being administered by the receiving agency. Demonstrating such a nexus ensures that the receiving agency has the administrative infrastructure and the program expertise appropriate for carrying out the programs. It also reduces, and may eliminate, program overlap between state agencies and in so doing fosters the strategic use of state and federal funding for similar programs. For example, BOC currently administers juvenile justice programs and is the proposed receiving agency for the OCJP's juvenile justice programs. On the other hand, the interim plan proposes to transfer gang violence suppression programs to OES, even though these programs are more similar to programs administered by BOC.

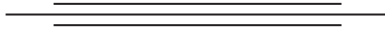
***Program Consolidations.*** Third, the plan should also consider consolidating similar programs. To the extent that funding can be consolidated for similar programs as a result of this reorganization, administrative activities and related costs can be reduced, thereby freeing up administrative funds to support programs. In the past, OCJP monitored, evaluated, and administered 86 programs. Approximately, 21 of the 86 programs are described as public safety programs and categorized, by OCJP, as crime suppression, drug enforcement, and gang violence programs. One possibility for consolidation would be to combine these three categories of programs. Similarly, this could be done for the 56 victims' services programs that have been categorized as domestic violence, children services, sexual assault, and victim/witness services.

***Proven Cost-Effective Programs.*** Finally, the reorganization plan should examine alternative future uses of the transferred federal funds to ensure that they are used to fund the most cost-effective programs. Some of OCJP's federally funded programs that the interim plan proposes to transfer have not been evaluated and, therefore, it is unknown whether they are effective. The plan should discuss redirecting this funding to programs with demonstrated cost-effectiveness or develop a plan to have these programs evaluated.

## Reorganization Plan Is Delayed

Although the *2003-04 Budget Act* requires DOF to submit the Reorganization Plan to the Legislature March 1, 2004, the Governor's budget summary indicates that the plan will not be released until May 2004. We are concerned that the late release of this plan will not provide the Legislature with an adequate amount of time for review.

***Analyst's Recommendation.*** Because the *2003-04 Budget Act* requires and the Legislature needs adequate time to review the Governor's Reorganization Plan, we recommend that the Legislature require the DOF to adhere to the March 1, 2004 deadline for submitting a Reorganization Plan for OCJP. Additionally, we recommend that DOF advise the Legislature at budget hearings as to how the Reorganization Plan addresses the issues identified above.







# DEPARTMENTAL ISSUES

## *Judiciary and Criminal Justice*

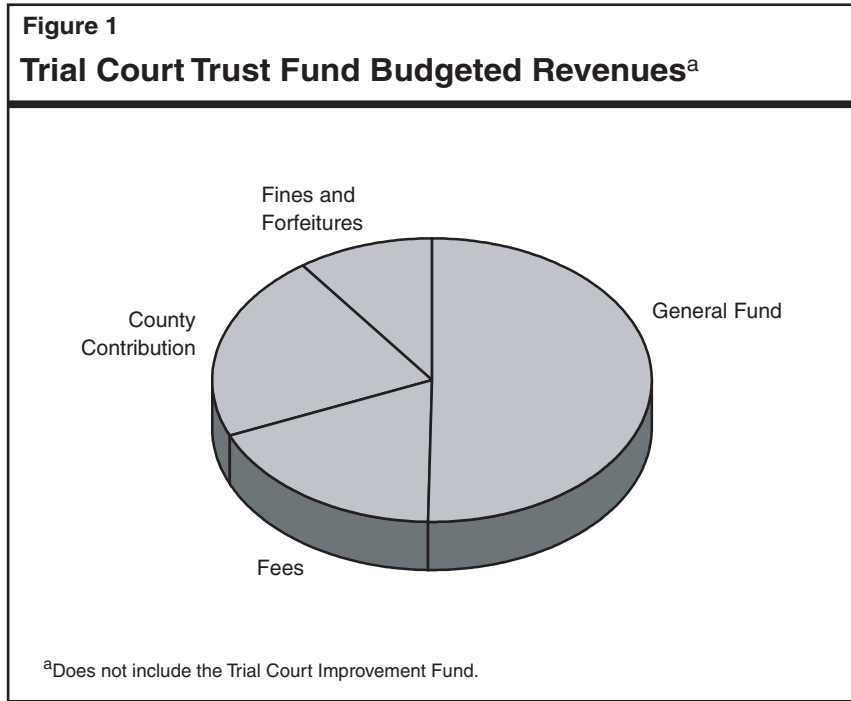
### STATE TRIAL COURT FUNDING (0450)

The Trial Court Funding item provides state funds for support of the state's trial courts. California has 58 trial courts, one in each county. Trial courts hear all criminal cases including felonies, misdemeanors, and traffic matters. They also have jurisdiction over all civil cases including family law, probate, juvenile, and general civil matters. About 8.1 million cases were filed in the trial courts, at some 400 court locations throughout the state during 2000-01 (most recent data available), and over 11,000 jury trials were conducted. The Trial Court Trust Fund is the main funding source for trial court activities.

Chapter 850, Statutes of 1997 (AB 233, Escutia and Pringle)—the Lockyer-Isenberg Trial Court Funding Act of 1997—established the Trial Court Trust Fund to support the operation of the trial courts. This act shifted fiscal responsibility for support of the trial courts from the counties to the state. This measure resulted in a major new financial responsibility for the state's General Fund and provided general purpose fiscal relief to counties by capping their future financial obligations for court operations. Figure 1 (see next page) shows the sources of revenue for the Trial Court Trust Fund.

***Proposed Spending.*** The budget proposes total expenditures in 2004-05 of \$2.2 billion for support of the Trial Court Funding program, a decrease of \$37.1 million, or 1.6 percent, compared to estimated current-year expenditures. General Fund support would increase by \$64 million

bringing the total proposed General Fund expenditures to \$1.1 billion. Figure 2 shows expenditures for the trial courts in the past, current, and budget years.



**Figure 2**  
**Trial Court Funding Program**

*(In Millions)*

	Actual 2002-03	Estimated 2003-04	Proposed 2004-05
Trial court operations	\$1,831.3	\$1,951.2	\$1,962.2
Superior Court judges salaries	213.4	216.4	226.6
Assigned judges	17.7	19.7	20.6
Court interpreters	59.7	68.0	67.7
Unallocated reduction	—	—	-59.0
<b>Totals</b>	<b>\$2,122.1</b>	<b>\$2,255.3</b>	<b>\$2,218.1</b>

Significant changes in the Governor's proposed budget for Trial Court Funding include the following:

- **Unallocated Reduction—\$59 Million.** The budget proposes an unallocated reduction of \$59 million. Under this proposal, the Judicial Council would decide how these reductions are allocated to the courts.
- **Proposed Augmentations.** The 2004-05 Governor's Budget proposes \$2.7 million in augmentations, including \$2.6 million for prisoner hearing costs and \$165,000 for the court interpreters program. The \$2.6 million for prison hearing costs is not an increase in General Fund expenditure for this purpose, rather it is a transfer of General Fund money from the Department of Corrections budget to the State Trial Court Funding budget.

## INFORMATION TECHNOLOGY AT THE JUDICIAL COUNCIL: AN ASSESSMENT

*Currently, the courts face management challenges because of their inefficient information technology (IT) systems, specifically, case management and financial systems. The Administrative Office of the Courts (AOC) has begun to develop and implement a statewide case management system and an accounting and reporting system. Both systems are scheduled to be completed by 2009. In this analysis, we provide background information on the technology projects currently underway, identify issues with the court IT development and oversight process, and offer recommendations for improving that process.*

### Introduction

#### Information Technology Is Important to the Courts

Like any modern organization, the courts rely upon IT for many of its core business functions. The courts' business functions are carried out either manually or through the assistance of its case management systems and accounting and reporting systems. Statewide, the courts' IT system includes over 70 case management systems and 58 separate accounting and reporting systems.

The courts' core business functions include processing and managing approximately 8 million filings annually and collecting and reporting on revenues from fines, fees, and filings. Other functions include cal-

ending hearings, completing quarterly financial reports, and updating systems according to legislative changes.

The courts vary in the quality of IT currently used. For example, court IT systems range from very old and unreliable to relatively new and reliable, depending on the level of investment in the systems by the courts.

### **Major Court IT Projects Underway**

The AOC, under the direction of the Judicial Council, has embarked on two major IT projects. These are the Court Accounting and Reporting System (CARS) and the California Case Management System (CCMS). The AOC has begun both projects and expects to fully implement both projects by 2009.

***Court Accounting and Reporting System.*** Currently, many local courts rely on county owned and operated financial and accounting management systems that are not designed to meet state reporting requirements. Consequently, courts must take information provided by the county system and then manually create reports that comply with state requirements. In addition to consuming a significant amount of staff resources, this process of manually “recreating” the reports jeopardizes the quality of the financial data submitted to the state by the courts. According to AOC, the reports ultimately submitted to it by the courts often do not meet generally accepted accounting principles.

The CARS was designed for the courts with the aim of providing the specific accounting data required by the state. Upon full implementation, all courts should be able to easily provide uniform financial reports that meet state reporting requirements as well as professional accounting standards. Under the courts’ technology plan, CARS will be fully implemented by 2008. In order to meet this date, CARS will need to be implemented in between 11 and 13 court systems each year. At the time this analysis was prepared, one court system—Stanislaus—had implemented CARS, and eight courts were in the process of implementing the new system. According to AOC, \$6.8 million has been spent to date on CARS-related activities.

***The California Case Management System.*** Case management systems are the mechanism by which court staff calendar, update, and track criminal and civil cases. Currently, the courts have over 70 separate case management systems that vary in both reliability and capability. Many courts face management and operational issues, including high maintenance costs, inefficient use of clerks, and difficulties in making legislative changes to the system. According to AOC, the courts pay varying

amounts of money to vendors for similar maintenance and updates of their case management systems.

The CCMS will be a statewide-integrated system owned by the courts. The CCMS will integrate traffic, civil, and criminal case management information. According to AOC, the new system should decrease maintenance costs, and increase efficiency by giving judges and court staff more timely access to files. It is our understanding that to date, AOC has (1) expended \$25.6 million on CCMS-related expenses; (2) awarded a contract to have the civil, small claims, and probate case management system designed; and (3) will implement the criminal and traffic case management system in the current year in two courts. Under the court's technology plan, the CCMS will be fully implemented by 2009.

## **Court IT Process Is Too Risky**

*Based on our discussions with trial court administrators in several court systems, as well as discussions with Judicial Council staff regarding the IT challenges facing the courts, we believe there is adequate justification for replacement of the existing case management and accounting systems. However, our analysis finds that the project development and oversight process used for CCMS and CARS (1) lacks an assessment of the statewide costs and benefits of the projects and (2) does not sufficiently mitigate risks common to large IT projects. Accordingly, we make several recommendations for improving the AOC's IT process in general and its CCMS and CARS in particular.*

## **Court Not Required to Follow Process Intended To Protect State Against Failed Projects**

In order to mitigate the substantial risk involved in major IT projects, California, like most other states, has a process that departments must follow to obtain project approval and funding. The state's process includes three major components: project planning, project development and implementation, and project implementation evaluation. These components provide the Executive Branch and the Legislature with information on (1) the estimated costs and benefits before the project is approved, (2) a plan for project oversight and risk mitigation while the project is being developed and implemented, and (3) an evaluation of the proposed versus the actual costs and benefits of the project after it is implemented.

The AOC is not required to follow the state's IT review and oversight process. Thus, it is not required to provide either the Executive Branch or the Legislature any project planning, development, or implementation evaluation information.

## **Court IT Project Process Is Lacking**

Our evaluation of the court's IT process found significant deficiencies in each of the major IT project process areas: project planning, development, and implementation evaluation. Despite the identified deficiencies in AOC's IT process, our analysis indicates that AOC, in planning the CARS and CCMS projects, did clearly define the court's business needs. It also conducted a competitive procurement process for both projects. While these are important steps, these actions do not fully mitigate project risk to the same extent offered through the state process. Below we describe the court's IT process and discuss its deficiencies as compared to the state's IT process.

***The Court IT Process.*** Generally, the information technology staff of the AOC assess the IT needs of the individual trial courts, and make recommendations to the Court Technology Advisory Committee (CTAC). The CTAC then evaluates the recommendations and based on its findings, makes recommendations to the Judicial Council. If the council votes to authorize the project, the AOC is able to move forward with the project.

***Court's IT Project Planning Is Inadequate.*** The state's IT project planning phase begins with the submittal of a feasibility study report (FSR) for most proposed projects over \$250,000. The purpose of an FSR is to define the problems that need to be addressed and lay out alternative solutions that will address the problems. The FSR also identifies each alternative's estimated costs, quantifiable benefits, and implementation schedule. The information provided in an FSR demonstrates to the administration and the Legislature that the most cost-effective alternative was chosen. The FSR must be completed before a project is considered for funding.

The AOC's project planning phase does not require the completion of an FSR or anything resembling it. According to AOC, it considered alternatives in regards to CARS. However, AOC staff were not able to provide information on each alternative's estimated costs, quantifiable benefits, and implementation schedule. In addition, AOC did not consider alternatives in regards to the CCMS. For the reasons mentioned above, AOC cannot demonstrate that it thoroughly considered alternative solutions and made the most cost-effective choice before choosing to embark on CARS and CCMS. Furthermore, in trying to assess the cost-effectiveness of CARS and CCMS we requested cost benefit information for each project. At the time this analysis was prepared, AOC had not provided the requested information.

Based on our discussions with AOC, we concluded that there are no formal requirements as to the level of information on IT projects that must be provided by CTAC to the Judicial Council in order to obtain project

approval and funding. For example, the staff is not required to provide a detailed cost-benefit analysis or identify measurable project objectives. Moreover, there are no established standards that require a certain level of project oversight or risk management.

***Court's IT Project Development and Implementation Not Fully Developed.*** Under the state's IT process, departments are required to submit a risk mitigation plan and an oversight plan before being allowed to begin implementing a project. The risk mitigation plan considers (1) the potential business disruptions that could occur while implementing the project and (2) the actions the state will take to reduce or "mitigate" those risks. An oversight plan sets up a structure that allows for close review of the project development and implementation—monitoring whether or not the project is on schedule and on budget.

The court did not complete a risk mitigation plan for either CARS or CCMS. Without such a plan, the court may not have fully reduced or mitigated its risk in developing and implementing these projects. For example, risks in these projects may include insufficient funds available to complete the project, the vendor not delivering components when promised, and personnel needing extra training to learn the new software tools. If these disruptions occur, and AOC does not have a plan to deal with them, it may result in a delayed or failed project.

As regards the oversight plan, AOC has steering committees for CARS and CCMS that are providing oversight for project development and implementation. However, our examination suggests that the steering committees do not have adequate information to do their job effectively. For example, while AOC was able to provide an implementation schedule for both projects, no information was available showing the projected cost of the project at each major phase of implementation. Without such information, we do not believe that AOC's steering committees will be able to effectively monitor the projects. This places the courts at greater risk for cost overruns, and delays for lack of adequate funding to complete the projects.

***Court IT Project Implementation Evaluation Not Required.*** The state's IT process requires departments to submit a post implementation evaluation report (PEIR) within 18 months after implementation. This report documents what was expected to be achieved and what was actually achieved by projects. The court's IT process does not require such information. Consequently, the AOC will be unable to demonstrate whether an implemented project ever achieved the savings, efficiencies, or other benefits as originally intended. In addition, without PIERS, the Legislature cannot determine how much an IT system ultimately cost to

develop or how much it will cost to operate and maintain the system on an annual basis.

***State's Financial Exposure Is Potentially Significant.*** At the time this analysis was prepared, AOC could not provide information on the total cost of the projects. According to AOC staff, to date it has spent \$32.4 million on CARS and CCMS for project development contracts and implementation in one court. The total projected cost is unknown. Based on the AOC implementation plan, the IT systems will continue to be rolled out in 2004-05. However, AOC could not say how the projects will be funded in the *2004-05 Governor's Budget*, and in subsequent years. The AOC staff indicates that the projects will likely be funded by the General Fund and special funds. Although the AOC could not provide an estimate of the total cost of the projects, based on the information we have to date, we expect the projects could cost up to several tens of millions of dollars more. We believe the state's financial exposure is potentially significant given the court IT process issues we identify in this analysis.

### **Court Should Use the State's IT Process**

The deficiencies identified in the AOC's IT process and the lack of information provided on CARS and CCMS place the state at risk of spending more money than necessary, abandoning a project too late, and/or being unable to demonstrate the success or failure of implementing the project. For these reasons, we believe the court should be required to use the state's IT process. This would mean that the Judiciary would follow the state's IT process for project planning, development and implementation, and evaluation. This will ensure that future IT projects demonstrate need, justify expenditures, mitigate risk, and ensure cost-effectiveness. Additionally, it will enhance legislative and court oversight.

We believe that requiring the court to use the state's IT project development and approval process is preferable to allowing the court to develop its own separate process. Much of the state's project review and oversight activities are specifically designed to ensure that IT projects are appropriately funded and managed to prevent project failures. Over the last year, the state has implemented an improved oversight process that rates IT projects on overall risk and requires specific project and risk management activities to occur on all IT projects. The intent of this new process is to prevent and detect common problems such as schedule slippage and cost overruns on state IT projects. By including court IT projects under the state's oversight and review process, the Legislature would have greater confidence that the court's projects are being monitored to ensure proper project and risk management activities are occurring. Even though the state process adds additional workload for a department, we

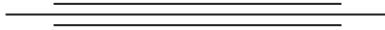


believe the extra oversight and review increases the overall likelihood that the projects will be successfully developed and implemented.

***Analyst's Recommendation.*** Given the investment to date and the potentially significant financial exposure to the state of CARS and CCMS, we recommend that the Legislature adopt trailer bill language requiring that the AOC use the state's IT process. Additionally, we recommend that the Legislature adopt budget bill language requiring AOC to develop and implement a risk mitigation and oversight plan for both CARS and CCMS and submit this plan to the Joint Legislative Budget Committee and fiscal committees before spending additional money for these projects. The following budget bill language is consistent with this recommendation:

0450-101-0932 Provision X. Prior to the expenditure of additional funds for the Court Accounting and Reporting System (CARS) and the California Case Management System (CCMS), the Administrative Office of the Courts(AOC) shall develop and implement a risk mitigation and oversight plan for both information technology (IT) projects. The AOC shall follow the state's IT requirements in developing the risk mitigation and oversight plan and submit both plans by January 15, 2005 to the chairpersons of the committees in each house of the Legislature that consider appropriations and the budget, and the Chair of the Joint Legislative Budget Committee.

Finally, we further recommend that AOC be required to report at budget hearings on the estimated total cost and quantifiable benefits of the CARS and CCMS and its plan on how these projects will be funded.



## DEPARTMENT OF CORRECTIONS (5240)

The California Department of Corrections (CDC) is responsible for the incarceration, training, education, and care of adult felons and nonfelon narcotic addicts. It also supervises and treats parolees released to the community.

The department operates 32 institutions, including a central medical facility, a treatment center for narcotic addicts under civil commitment, and a substance abuse treatment facility for incarcerated felons. A new maximum-security institution is scheduled to open in spring 2005 at Delano (Kern County). The CDC system also operates 11 reception centers to process newly committed prisoners; 12 Community Correctional Facilities; 38 fire and conservation camps; the Richard A. McGee Correctional Training Center; 126 community reentry programs; two restitution centers; a drug treatment center; 185 parole offices; and 73 outpatient psychiatric services clinics.

### BUDGET OVERVIEW

#### Budget Proposal

The budget proposes total expenditures of \$5.3 billion for CDC in 2004-05. This is \$447 million, or about 7.8 percent, below the revised estimate for current-year expenditures. Proposed General Fund expenditures for the budget year total \$5.2 billion, an increase of \$413 million, or 8.7 percent, above the revised current-year estimate. This increase reflects additional funds to offset \$852 million in one-time federal funds received in the current year, as well as increases in department positions, parole population, and health care costs. These General Fund costs are partially offset by projected declines in the inmate population due to policies enacted in the *2003-04 Budget Act*.

## Current-Year Deficiency

*The California Department of Corrections has experienced spending deficiencies in recent years and recently projected a current-year deficiency of \$540 million. We report on the department's deficiency below and recommend that the Legislature require the department to submit a plan to address its ongoing deficiencies.*

In October 2003, the CDC announced that it anticipated a budget deficiency of over \$540 million for the current year. The Governor's budget recognizes \$493 million of this deficiency, leaving an unfunded amount of \$50 million. This latter amount includes items projected to be underfunded in the current budget—such as overtime and workers' compensation—which are partially offset by salary and program savings. Figure 1 shows the components of the department's deficiency.

<b>Figure 1</b>	
<b>Department of Corrections 2003-04 Deficiency</b>	
<i>(In Millions)</i>	
<b>Deficiency Item</b>	<b>Amount</b>
<b>Included in Proposed Budget</b>	<b>\$493</b>
• Salary increases	(\$174)
• Retirement costs	(\$179)
• Overestimated population savings and underestimated new admissions	(\$139)
<b>Not Included in Proposed Budget</b>	<b>\$50</b>
• Ongoing operational deficiencies	(\$240)
• Offsetting salary and program savings	(-\$190)
<b>Total</b>	<b>\$543</b>

*Items Included in Governor's Budget—\$493 Million.* The 2004-05 Governor's Budget document indicates that the administration proposes to fund \$493 million of the deficiency identified in October 2003 by CDC. This includes funding salary and retirement costs that were not included in the 2003-04 Budget Act. It also includes higher-than-anticipated population because the current budget overestimated the decline in the inmate population resulting from policy reforms and underestimated the number of new admissions to prison.

- **Salary Increases—\$174 Million.** The Governor’s budget proposes \$174 million to fund the department’s current-year salary increases. It is important to note that the *2003-04 Budget Act* did not include salary increases for any state department. This is because the budget assumed that employee compensation contracts would be renegotiated, or departments would absorb the costs of any remaining increased salary costs through cuts in other programs. However, the prior administration was unable to negotiate lower salaries for correctional officers, and neither the prior nor current administration approved sufficient current-year cuts to CDC’s budget to absorb the full costs of the salary increases.
- **Retirement Costs—\$179 Million.** Retirement costs were not included for any state department because the *2003-04 Budget Act* assumed that a pension obligation bond would fund the state’s retirement contributions. However, a state superior court has ruled that pension obligation bonds cannot be issued without voter approval. Therefore, the Governor’s budget also proposes \$179 million to fund department retirement costs in 2003-04.
- **Overestimated Population Savings and Underestimated New Admissions—\$139 Million.** The current-year budget assumes savings due to policy changes designed to reduce the number of nonviolent inmates, including education and day-for-day credits in reception centers, drug treatment furloughs, and intermediate sanctions for nonviolent parole violators. The department will be unable to achieve most of these savings in the current year primarily because the savings estimates did not account for overlap in the populations affected by the reforms. The department is also experiencing moderately higher-than-projected new admissions to prison.

**Items Not Included in the Governor’s Budget—\$50 Million.** The Governor’s proposed budget does not include funding for the remainder of the department’s October request, a net amount of approximately \$50 million. This includes items that have generated deficiencies in past years, offset by savings primarily from department vacancies.

- **Ongoing Operational Deficiencies—\$240 Million.** Approximately \$240 million of the department’s announced deficiency reflects on-going shortfalls in spending authority for overtime, temporary help, workers’ compensation, medical supplies, and contract medical personnel, as well as unfunded merit salary increases for department employees. Each of these items is a source of a recurring structural deficiency, suggesting an inability of the department to fully fund these activities within its allocated budget.

- **Offsetting Salary and Program Savings—\$190 Million.** The department anticipates being able to offset the \$240 million in budget shortfalls with expected savings of about \$190 million from the institutions, inmate health care, and parole programs. Most of these savings are from the department's approximately 2,700 unfilled vacancies.

**Analyst's Recommendation.** The Governor's budget summary suggests that it will offer a proposal as part of the May Revision to better control aspects of the department's fiscal management. The Legislature should direct CDC to include as part of its cost control proposal, a plan to address those items which have traditionally driven deficiencies in the department's budget. In particular, the proposal should identify ways to bring spending on overtime, temporary help, worker's compensation, and medical costs in line with the department's budget, as well as to identify other sources of offsetting program savings.

### **Major Additional Savings in Corrections Budget May Be Difficult to Achieve in Budget Year**

*The budget proposes a significant unallocated reduction in corrections. The administration has indicated that it will provide details of the proposal as part of the May Revision. Given the size of the proposed reduction, we recommend that the Legislature request the administration to provide the specifics of the plan prior to the May Revision in order to allow the Legislature adequate time for review. In this piece, we identify issues for the Legislature to consider as it reviews the administration's forthcoming proposal.*

The Governor's budget proposes a \$400 million unallocated reduction in corrections. Given that CDC is by far the largest department in the Youth and Adult Correctional Agency, it is likely that most of this amount will need to be achieved through reductions in CDC's budget. Without prejudice to the administration's forthcoming proposal, we believe there are issues the Legislature should take into consideration as it examines the budget for the department.

**Department Costs Are Largely Driven by Population and Labor Costs.** The department's budget is primarily determined by the projected number of inmates that will be housed in its prisons, and on the number of persons projected to be on supervised parole in the community. Based on these projections, the department determines how many staff are required to (1) supervise this population and (2) provide other mandated services such as education and health care services. Thus, the most important determinates of the costs to operate CDC are the numbers of in-

mates and parolees, the level of compensation for correctional officers and other custodial staff, and the types and levels of services provided. Therefore, in order to achieve *significant* reductions in the budget for corrections—as proposed by the administration—consideration must be given to reducing the number of individuals in state custody, the labor cost of providing security and community supervision, or the types and levels of services provided.

- ***Population-Related Savings and Public Safety.*** Population savings can be achieved in two ways: (1) bringing fewer individuals into the system by changing sentencing laws and (2) releasing more individuals out of the system through early or accelerated release programs. In considering reductions to the inmate and parole population, we have recommended in the past that the Legislature focus on nonviolent and short-term inmates to minimize the impact on public safety. The Governor's budget already assumes a significant level of population-related savings from parole reforms that are being implemented in the current year. Because these reforms already target many of the nonviolent inmates in the system, the additional savings that can be achieved through population reduction proposals of nonviolent and short-term inmates has been narrowed.
- ***Labor Costs Savings Require Successful Contract Renegotiation.*** The administration has indicated that it plans to renegotiate the state contract with the correctional officers' union. We agree there is potentially a significant level of savings that can be achieved through contract renegotiations. For example, as part of our analysis of the department's overtime problem, we recommend that the Legislature direct the Department of Personnel Administration to renegotiate provisions that increase overtime. In addition, in our evaluation of the administration's request for 1,239 relief positions—discussed later in this analysis—we note that renegotiating training-related provisions of the correctional officer contract could generate significant state savings. While we believe such savings can be achieved if there is a contract renegotiation, we would note that such negotiations need to occur in a timely manner in order to achieve the maximum benefit in 2004-05, and to provide the Legislature sufficient time to review the full fiscal impact of the agreement.

In our *The 2004-05 Budget: Perspectives and Issues* publication, we offer options for CDC budget savings. These options primarily include sentencing reforms aimed at more rapidly transitioning low-risk offenders into the community.

**Administrative Efficiencies.** Based upon the Governor's budget, we expect the proposal for achieving \$400 million in savings to include specific plans for achieving administrative efficiencies, such as closing institutions, contracting out for certain services, and improving fiscal control and accountability within the department by developing systems to identify costs at the institution level which can be reduced. We agree that there are opportunities for savings from these types of proposals, but the feasibility of implementing some of these proposals will depend on the department's successful implementation of changes that are already assumed in the budget. For example, prison closures would be possible if the current-year parole reforms being implemented actually achieve the population reductions assumed in the budget. Likewise, cost savings through better internal controls are possible if central management, as well as wardens and other prison administrators, have adequate tools to track expenditures. In addition, we agree there may be opportunities to reduce costs for certain services, such as health care, mental health, and pharmacy by contracting with private entities for the delivery of these services. However, the department's ability to contract for some services may be limited under current law, and thus require voter approval of the administration's proposed constitutional amendment to expand the circumstances under which the state can contract with private entities.

**Administrative Feasibility of Achieving Additional Major Savings in 2004-05.** The department already is in the process of implementing several major reform proposals. Any new proposals submitted by the administration to reduce costs by the level assumed in the budget may experience delays due to the current workload limitations of existing staff.

Historically, the department has had a poor record of accomplishment in implementing changes. In fact, the department is currently experiencing delays in implementing reforms that were adopted as part of the current-year budget. The delay is caused by a number of factors, including the freeze on hiring and contracting and the need to negotiate with employee unions on certain components of the reforms. However, other factors that affect the department's ability to implement change are its sheer size and decentralized nature—including 32 institutions and 185 parole offices spread across the state, as well as the autonomy of individual institutions.

During its review of the administration's proposal, we recommend the Legislature realistically assess CDC's ability to fully implement changes that are proposed as part of the administration's \$400 million proposal.

**Summary.** The details of the proposed \$400 million unallocated reduction are unknown. Given the magnitude of the proposed reductions,

we recommend the Legislature request the administration to provide the details of the plan before the May Revision. Furthermore, without prejudice to the administration's forthcoming proposal, we have concerns about the department's ability to achieve this level of savings in 2004-05 in light of major changes that are already underway, and the time it takes to implement significant changes in a department the size of CDC. We recommend the Legislature take these issues into consideration when assessing the department's ability to achieve the Governor's proposed savings in 2004-05.

## **INMATE AND PAROLE POPULATION MANAGEMENT ISSUES**

### **Inmate Population Projected to Decline**

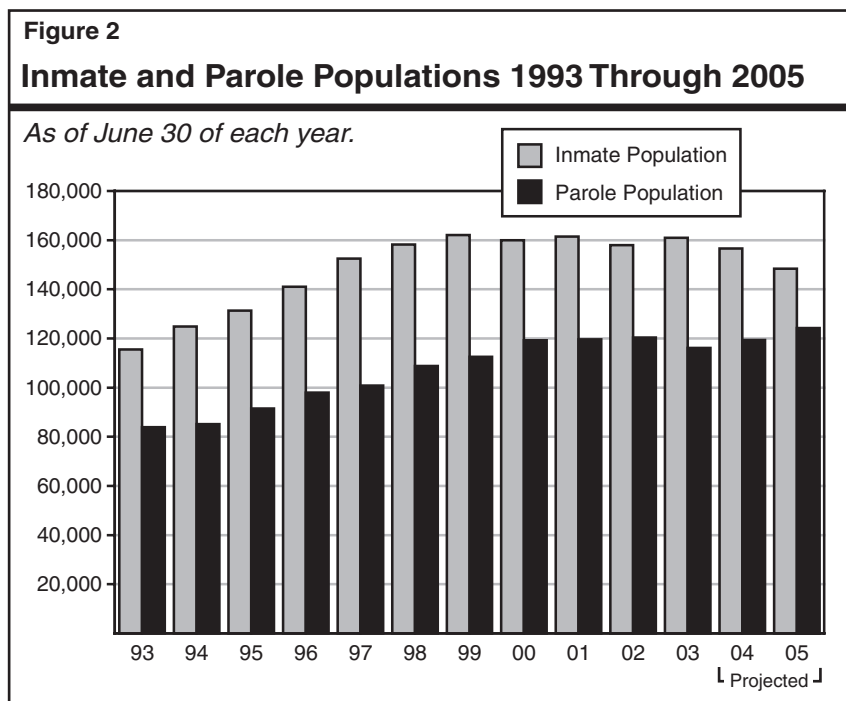
*The California Department of Corrections is projecting the inmate population to decline substantially in the second half of the current year and into the budget year. These declines will be accompanied by a commensurate increase in the parole population.*

***Inmate Population Decrease.*** As of June 30, 2003, the CDC housed 160,931 inmates in prisons, fire and conservation camps, and community correctional facilities. The CDC projects the inmate population to decline to 148,390 by June 30, 2005, a decrease of over 12,000 inmates. This projected decline by mid-2005 is primarily the result of a series of policy reforms enacted as part of the *2003-04 Budget Act*, which includes programs to restructure parole, inmate education, and substance abuse treatment. (See *The "New Parole Model"* later in this chapter.) In the absence of these reforms, the inmate population would have increased to over 163,000 inmates because of a recent trend of moderately increasing new admissions to prison. Under the policy reforms, the prison population is projected to decline to its mid-1990s levels, creating the first substantial drop in the state's inmate population in at least 20 years. Figure 2 shows the year-end inmate and parole populations for the period 1993 through 2005.

***Parole Population Increase.*** As of June 30, 2003, the CDC supervised 116,173 persons on parole. As shown in Figure 2, the CDC projects the parolee population to increase to 124,224 in 2005. This increase is a result of the current-year policy reforms designed to reduce parole revocations. This means that the affected parolees will stay in the community longer (instead of being returned to prison), thereby having the effect of increasing the total parole population. The projected parole population will be the largest in state history.

***Implications of Population Changes.*** The decline in the inmate population will affect the department's housing plan, allowing CDC to con-





sider options that include closing prisons, moving inmates out of dormitory-style housing units, and reducing the use of Community Correctional Facilities. In addition, the reforms will reduce the number of parolees revoked and housed in local jails and state reception centers.

***Potential Risks to Accuracy of Projections.*** As we have indicated in past years, the accuracy of the department's latest projections remains dependent upon a number of significant factors. These include:

- ***Changes in sentencing laws*** and the criminal justice system adopted by the Legislature and the Governor or through the initiative process.
- ***Delays in the implementation of current-year budget reforms***, including ongoing problems with the department in (1) contracting with providers of parolee services such as drug treatment, (2) hiring and training staff due to a hiring freeze, and (3) negotiating with employee unions regarding certain components of the reforms.
- ***Changes in the local criminal justice system*** affecting the number of persons arrested, charged, tried, convicted, and ultimately admitted to prison.

- *Changes in the crime rates*, especially for violent crimes, that could cause growth in the inmate population to differ from the latest CDC projections.

Significant changes in any of these areas could easily result in a prison growth rate higher or lower than the one contained in CDC's projections.

### **Caseload May Require Further Adjustment**

*We withhold recommendation on the 2004-05 budget request for caseload funding. Recent delays in the implementation of policy reforms included in the 2003-04 Budget Act may result in increased prison population above what is assumed in the proposed budget. We will continue to monitor the caseload and program implementation and recommend further changes, if necessary, following review of the May Revision.*

Due to the delays in implementing current-year policy reforms designed to reduce the inmate population by January 1, 2004 the department will be unlikely to achieve the full current-year and budget-year population reductions assumed in the Governor's budget. The department has not yet released updated population projections that include the impact of these delays nor their corresponding budgetary impact.

Pending release of the policy reform implementation schedule and revised population estimates, we withhold recommendation on the 2004-05 caseload-funding request. We will continue to monitor CDC population, and make recommendations as appropriate at the time of the May Revision.

## **THE "NEW PAROLE MODEL"**

### **Summary**

*The 2003-04 Budget Act included several policy changes designed to reduce the number of parolees returned to prison. These changes, referred to as the "new parole model," include the provision of prerelease planning, reentry services, and intermediate sanctions for some inmates and parolees. In this piece, we review the policy changes and their estimated effect on the inmate and parole populations and the resulting state fiscal impact. We make several findings about the policy changes, including concerns about implementation delays, and provide several recommendations.*

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## **Background**

### **California's Parole System**

California operates the largest state parole system in the country with the CDC supervising over 110,000 parolees at any given time. The purpose of parole is twofold, to protect public safety by supervising recently released felons and to assist parolees in successfully reintegrating into communities. When an inmate is released from a California state prison, he/she is required to report to his/her parole agent and abide by the conditions of parole, including following all laws. The parole agent is responsible for monitoring the activities of the parolee, assisting the parolee to access programs and services such as drug treatment and job placement programs, and taking appropriate action if the parolee presents a danger to the public or oneself.

### **California's Parole Failure Rate Highest in Nation**

California parolees have the highest rate of returns to prison in the nation with over 55 percent of all parolees returned to prison within two years of release. California has the second lowest level of parole success, with only 21 percent of parolees completing their term on parole supervision without being returned to prison or absconding.

Approximately 80 percent of the parole violators returned to prison are sent back by way of the administrative revocation process, often for noncriminal violations, often referred to as "technical violations." The remainder of parole violators are convicted of new crimes and sent back to prison by the courts.

Researchers have attributed the high parolee failure rate in California to a number of factors, including few programs and services available to assist parolees with reintegration, few alternatives to revocation for parolees who violate their conditions of parole, a failure by CDC to adequately prepare inmates for release, and an emphasis on parolee punishment rather than reintegration.

### **Costs of Parolee Failure**

While there is a clear public safety benefit associated with incarcerating felons and isolating them from society, there are also significant costs associated with parolee failure and revocation. First, the state incurs average prison costs of over \$10,000 for each parolee who is returned to prison, costing the state almost \$900 million in incarceration costs each year. In addition, researchers have noted other, often less fiscally tan-

gible, costs associated with parole failure. These costs include local law enforcement and court costs, harm to victims and their property, loss of financial and social support to children and families of the incarcerated, and loss of tax revenues from revoked parolees who otherwise could be working.

## **2003 Parole Reforms—The “New Parole Model”**

As part of the *2003-04 Budget Act*, the Legislature required CDC to institute a number of parole-related reforms designed to decrease the number of revocations, reduce parolee recidivism, and save the state money. In response, the department designed a series of prevention and intervention strategies, including the institution of prerelease planning, reentry services, and intermediate sanctions. While not all research on these types of programs is conclusive, many evaluations do suggest that these types of efforts can cost less than returning a parolee to prison, and in some cases can significantly reduce recidivism when combined with services aimed at addressing substance abuse, employment, and other needs of parolees. California’s new programs are described in greater detail below.

### **Prerelease Planning**

The CDC will dramatically expand its use of prerelease planning for inmates soon to be released into the community. The first element of the prerelease program involves the use of a needs and risk assessment of inmates before they are released from prison. This assessment, which will be given to approximately 60,000 inmates, will accomplish two tasks: (1) it will use information collected about each inmate’s personal and criminal history to identify what programs and services would benefit the inmate after his release and (2) it will project the likely risk that the inmate will reoffend. The results of the needs and risk assessment will be provided to the inmate’s parole agent prior to the inmate’s release. With this information, the agent will be better prepared to provide the types and levels of services and supervision appropriate for each parolee.

The second element of the prerelease program includes the improvement and expansion of existing prerelease classes to approximately 60,000 inmates released to parole each year. These classes will be *mandatory* for all inmates nearing the completion of their felony term. Revoked parolees will not be required to participate. In addition, the new prerelease classes will cover a broader range of topics and materials than the program in the past which sometimes has been limited to providing infor-

mation packets to inmates. In past years, approximately 30,000 inmates participated in *voluntary* prerelease programming.

Finally, the new prerelease program will be operated by the department's parole division with the assistance of contracted social workers, rather than the department's prison employees as is done currently. The department hopes that parole agents and social workers will be better able to prepare the inmates for success on parole and in the community.

The CDC projects that the new prerelease program, in combination with the use of reentry services (see below), will reduce parolee recidivism by 5 percent statewide. The department estimates that over 3,000 fewer parolees will return to prison, thereby saving the state \$17 million annually in incarceration costs. This estimate does not include implementation costs which are likely to be significant.

## **Reentry Services**

The department currently operates Police and Corrections Teams (PACTs) in 15 parole districts. These teams are partnerships between CDC, local law enforcement agencies, and community service providers and are designed to coordinate the supervision of and services for parolees. For example, some parole districts operate a PACT Parolee Orientation where a number of local service providers come to parole offices at one time to educate parolees about services available in the community, such as health, housing, and employment services.

The *2003-04 Budget Act* expanded the use of PACTs to all 25 parole districts and provided funding to staff each PACT with a Community Resource Coordinator. The coordinator acts as the liaison between the parole office and community service providers and recruits their participation in the PACT Parolee Orientation. Participation in the orientation will now be mandatory for all released parolees. The department believes that the use of the PACTS and the orientation will provide parolees with an improved opportunity to take advantage of community resources, such as health, housing, and employment services, that can assist in successful reintegration.

## **Mentally Ill Parolee Case Management**

The current budget also funds the expansion of the department's Transitional Case Management Program for mentally ill parolees. This program allows for the continuation of mental health services on parole for all offenders who were diagnosed with a mental illness while in prison. Specifically, these parolees will receive ongoing psychiatric treatment and

case management services at the department's 73 parole outpatient clinics (POCs). Research demonstrates that the receipt of mental health services can be critical to the successful continuation and completion of parole for mentally ill offenders. For example, one analysis conducted by CDC staff indicates that mentally ill offenders who received POC and case management services stayed in the community longer than similar offenders. The CDC projects that over 5,000 new parolees will receive POC services under the program expansion and the resulting reduction in recidivism will reduce state incarceration costs by \$14 million each year, not including offsetting implementation costs.

## **Intermediate Sanctions**

Intermediate sanctions are punishments administered by parole agents in the community for parolees who violate the conditions of their parole and minor violations of the law. Intermediate sanctions are designed to give parole agents a broader range of punishment options for parolees who commit these violations. In the absence of intermediate sanctions, agents are generally faced with the choice of returning the parolee to prison—sometimes seen as too severe of a punishment for minor violations—or administering no punishment at all.

The administration will redesign and expand some existing programs to be used as intermediate sanctions. The intermediate sanctions adopted include electronic monitoring, Community Correctional Reentry Centers (CCRCs), and Substance Abuse Treatment Control Units (SATCUs). The CDC estimates that over 30,000 parole violators will be assigned to these intermediate sanctions each year, reducing prison operating costs by over \$100 million. These sanctions are described in more detail below.

- ***Expanded Use of Electronic Monitoring.*** Electronic monitoring refers to the use of a device that alerts the parole agent when the parolee wearing the device is no longer within a defined distance from his home. Typically, parolees are allowed to leave their home at prescheduled times for work, treatment, and other activities sanctioned by their agent. The department has used electronic monitoring technology for some time. However, it has been used solely as a condition of parole to monitor a small, select group of potentially dangerous parolees, including sex offenders. Under the new intermediate sanctions program, electronic monitoring will be significantly expanded and will be used for nonviolent and nonserious parolees who commit parole violations. The CDC estimates that each year approximately 8,000 parolees will be required to use electronic monitoring devices for up to 45 days.

The CDC estimates that use of electronic monitoring will cost an additional \$5 per day per parolee.

- **Conversion of CCRCs.** The CCRCs were originally established as work furlough programs for inmates being released from prison. Under the new parole program, these secure housing facilities will be converted to residential intermediate sanction programs operated by community-based organizations under state contracts. At the CCRCs, parolees will participate in various programs including substance abuse treatment, stress and anger management, victim awareness, computer literacy, life skill, and employment training programs. Parole agents can place nonviolent parole violators in CCRCs for up to 120 days, and the department estimates that approximately 8,000 parolees will be placed in CCRCs for an average of 45 days each year. Because of the programming provided, CCRC beds are more expensive to operate on a per day basis than prison beds. However, CDC projects savings from this reform because parolees will be in CCRCs for a shorter period than had they been revoked to prison and the programs will better prepare parolees for success in the community.
- **Expanded Use of SATCUs.** Some SATCUs have been used by CDC in the past simply as short-term “dry-out” beds in jails and reception centers for parolees with substance abuse problems. Under the parole reforms, SATCUs will still be for parole violators with substance abuse problems, but their use will be dramatically expanded with an estimated 16,000 parolees assigned each year. Parolees assigned to SATCUs will participate in a 30-day residential drug abuse program at local jails, followed by a 90-day aftercare treatment program in the community.

## **Findings and Recommendations**

*The implementation of the new parole policies should significantly reduce the number of nonviolent parolees returned to prison, thereby generating substantial state savings. However, we find that there have been implementation delays that will significantly limit the impacts of these programs in the short term, and that further opportunities exist to expand these parole programs to generate state savings. Based on our findings, we recommend that CDC provide the Legislature with an updated implementation plan at budget hearings. We identify further opportunities for expanding the existing parole reforms. We discuss our findings and recommendations in more detail below.*

## **Department Should Report on Impacts of Implementation Delays**

The current budget assumes implementation of the prerelease, reentry services, and intermediate sanctions reforms by January 1, 2004. The mentally ill parolee program was scheduled to phase in implementation beginning on July 1, 2003. However, statewide freezes on hiring and contracting have delayed the implementation of all elements of the parole reforms. Currently, CDC expects to have these programs operating by March 1, 2004. The delays will limit the ability of the department to use these programs to reduce the inmate population, thereby limiting the actual savings that will be achieved from these reforms, particularly in the current year.

At the time this analysis was prepared, the department had been unable to provide an updated estimate of the impact of the implementation delays on the inmate population and its budget. The department currently plans to submit information regarding the impact of the delays on population and budgeted savings as part of the May Revision and after the completion of the spring population projections. However, this will provide a very limited time for legislative review. Therefore, we recommend that CDC provide the Legislature with an updated implementation plan for the parole reforms at budget hearings, including the population and fiscal impacts of delays.

## **Opportunities for Additional Savings by Expanding Parole Reforms**

While the current parole reforms begin to bring the state's parole system more in line with research findings and other states' policies for reducing parolee recidivism, there remain further opportunities to improve the parole system. These additional opportunities include broadening the eligibility of prerelease planning and intermediate sanctions and incorporating additional intermediate sanctions. These program expansions could further reduce the institution population and state costs while continuing to provide public safety. These program opportunities are described in greater detail below.

***Expand Eligibility for Prerelease Planning.*** Under the new parole policies, all inmates approaching the end of a new felony term will be required to participate in prerelease programming. In other words, all new commitments and parole violators with new terms will participate. We believe the prerelease planning services may benefit a broader group of inmates, in particular those who are serving time for a parole violation. While fewer parole violators will be in prison if the intermediate sanctions and other parole reforms work as intended, there will still be as many as 50,000 such inmates in the system. Moreover, those parolees who do return to prison may be a subgroup of inmates most in need of addi-



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tional programming given their history of parole failure. We estimate that even a modest decrease in returns to custody for this population could save the state several million dollars.

***Expand Eligibility for Intermediate Sanctions.*** Under the parole reforms currently being put in place, intermediate sanctions will be used as an alternative to prison for parolees with nonviolent and nonserious criminal histories. However, research demonstrates that some factors other than criminal history—for example, age or completion of certain prison programs—have been shown to be statistically relevant factors in predicting future criminality. Therefore, there may be some inmates who do not qualify for intermediate sanctions under the current policy for whom incarceration may not be the most cost-effective alternative in the event of a parole violation. However, revocation would remain the appropriate response for many parolees, such as those with a recent history of violent crime or sex offenses.

***Expand Intermediate Sanctions and Graduated Sanctions.*** We surveyed the literature to identify other potential intermediate sanctions that could be implemented in California. We found that many other states are utilizing intermediate sanctions in addition to the ones adopted under the 2003-04 Budget Act, including community service, day fines, intensive supervision, and day reporting centers. Research suggests that alternative sanctions such as these can be less expensive than revoking a parole violator to prison and, when combined with treatment and service programs, can reduce recidivism by as much as 25 percent.

In addition, expanding the types of alternative sanctions available to parole agents and parole violators will allow more opportunities for agents to match an appropriate level of sanction with a parolee given the characteristics of the parolee, his or her criminal history, and the nature of the parole violation. In fact, the current array of intermediate sanctions may not be the most effective or appropriate for all violators. For example, the use of community service or fines might be a more appropriate response for an employed parolee who commits a single technical violation than more restrictive sanctions such as confinement in SATCUs or CCRCs.

Offering a greater array of sanctions will also allow the department to establish a system of graduated sanctions for repeat violators. Graduated sanctions allow agents to increase the severity of punishment in response to increased frequency or severity of parolee infractions with the expectation that some parolees will curtail their violations to avoid the increasing penalties for their behavior. Prison would still remain a punishment option for offenders. The expanded use and/or eligibility of intermediate sanctions to even a few hundred additional parolees would save the state several million dollars.

While there could be a couple million dollars in implementation costs to expand the use of prerelease planning and intermediate sanctions, these reforms could generate net General Fund savings by further reducing the inmate population. In view of the potential to increase General Fund savings while protecting public safety, we recommend that the Legislature direct CDC to provide an estimate of the fiscal impact of these proposals. Based on this information, the Legislature may wish to direct the department to phase in the above described expansions during 2004-05. Because the department is already implementing several new programs, the program expansions recommended here may also experience delays due to workload limitations on existing staff. However, we believe that these expansions merit consideration because of the General Fund savings that would be generated when implemented.

## **CORRECTIONS OVERTIME EXPENDITURES**

### ***Summary***

*Despite recent oversight and administrative efforts by the Legislature and the Department of Corrections (CDC), the department's overtime expenditures are expected to remain over \$230 million in the current year. In this analysis, we provide background information on this issue, then an update on the current status of overtime, and finally recommendations for controlling departmental overtime.*

### ***Background***

The CDC has over 45,000 positions funded at almost \$3.5 billion in the current year. Of those positions, approximately half are "posted" positions in the institutions. Posted positions are those that provide supervision of and services for inmates at state prisons. For example, most correctional officer positions and many medical positions are posted.

Overtime expenditures occur when a posted position is unfilled or when the employee who regularly fills that position is absent. In either case, when another employee fills that position by working hours in excess of his or her own scheduled hours, the department pays that employee at a rate of 1.5 times his or her salary for each hour of overtime worked.

## Costs Associated With CDC Overtime

Figure 3 shows the department's overtime expenditures over the past five fiscal years, from 1999-00 through 2003-04 (projected). It shows that annual CDC overtime expenditures rose almost \$50 million between 1999-00 and 2002-03. These expenditures reached a high of \$263 million in 2001-02 and declined \$26 million in 2002-03. The decrease in overtime expenditures occurred primarily in the Institutions and Community Correctional (Parole) programs and is expected to continue—though remaining over \$230 million—in the current year.

<b>Figure 3</b>	
<b>CDC Overtime Expenditures Remain High Over Past Five Years</b>	
<i>(In Millions)</i>	
<b>Fiscal Year</b>	<b>Expenditures</b>
1999-00	\$190.1
2000-01	238.3
2001-02	263.4
2002-03	237.6
2003-04	231.2 <sup>a</sup>
<sup>a</sup> Estimated.	

We recognize that it is not unusual for departments to have some overtime, but the growth in and persistent nature of the overtime expenditures by CDC suggests that the department has a continuing problem. Overtime expenditures are a significant contributor to the department's annual deficiency. In 2002-03, for example, CDC spent approximately \$45 million more for overtime payments than it was budgeted. The department projects its current-year overtime deficiency to exceed \$50 million.

High overtime usage may also result in increased workers' compensation costs. This is because working overtime can lead to employee fatigue and injuries, resulting in increased workers' compensation claims. The CDC's workers' compensation costs are projected to be approximately \$200 million in the current year. However, the department is unable to identify how much of these costs were attributable to employees working overtime.

## **Previously Identified Drivers of CDC Overtime**

Past reports by our office, the Bureau of State Audits, and the Department of Finance identified several drivers of overtime costs within CDC, including correctional officer vacancies, inadequate numbers of relief positions, use of overtime to cover for sick leave and other paid leave programs, and inadequate management controls and oversight. Prior to 2002-03, between 10 percent and 15 percent of officer positions in CDC were vacant. Prison administrators typically had the option of using relief officers—specifically designated to fill otherwise unfilled positions—or overtime to fill vacant positions. Using relief officers is a less costly alternative than overtime because relief officers are paid at their base salary rather than 50 percent above, and many relief officers are newer officers paid at the lower wage range. However, there were too few relief officers available at most institutions to fill all vacancies. Instead, administrators relied more on using overtime.

As with vacant positions generally, posted positions vacant due to sick leave must be filled by another officer. Prison administrators often used overtime to fill positions left vacant by sick leave. Sick leave was a driver of overtime expenditures for the department because correctional officers' average use of sick leave was significantly higher than non-CDC state employees—6.5 hours per month compared to 4 hours. In addition, a report by the Bureau of State Audits in 2000 found that the department failed to effectively manage paid leave programs, such as holiday, vacation, and sick leave, resulting in excessive overtime and other costs. In particular, the report cited the failure of the department to collect and analyze personnel data from institutions, information that could be used to more effectively manage and direct personnel resources.

## **Actions Taken by Legislature and CDC**

The Legislature and CDC have both taken steps to address the issues driving departmental overtime costs. In particular, the Legislature has focused its efforts on filling posted positions. For example, in 2000 and 2001 the Legislature authorized the expansion of CDC's training facility in order to provide the department with more correctional officers to fill vacancies in posted and relief positions. As a result, the statewide correctional officer vacancy rate fell from 12 percent in 2001-02 to less than 2 percent at the end of 2003.

The CDC made changes in recent years in an attempt to better manage overtime. In general, these efforts have focused on collecting and analyzing fiscal and personnel management information. The department now (1) performs annual fiscal reviews of each institution, including overtime expenditures; (2) operates overtime/sick leave management com-

mittees in every institution; (3) uses the Watch Office Tracking System at each institution to provide daily, weekly, and monthly expenditure reports to central management, including overtime expenditures; and (4) operates the Resources Review Team within the Financial Services Division to coordinate personnel management practices and gather information. The department has also submitted a Feasibility Study Report to support its proposed Business Information System project which is intended to be a department-wide personnel and budget management data system.

## **Findings**

*While the problem of the California Department of Correction's overtime expenditures has been discussed in past reports, our analysis identifies ways that provisions of the correctional officer contract and the missions of different institutions contribute to what remains an ongoing overtime problem. These findings are discussed in greater detail below and are based on information provided by the department, visits to prisons, and discussions with prison administrators and staff.*

### **Vacancies in Many Posted Positions Affect Overtime**

As discussed above, progress has been made in some areas, in particular filling correctional officer positions. However, there remain a high number of vacancies in other posted positions that prison administrators often fill with overtime. For example, the vacancy rate for sergeants and lieutenants is approximately 8 percent, and each of these vacancies is more costly than an officer vacancy because of the higher pay earned by correctional supervisors. In addition, over 23 percent of the department's posted medical positions—including registered nurses and medical technical assistants—are vacant. The department believes that these vacancies are the result of inadequate salaries to compete with outside medical facilities. Figure 4 (see next page) shows vacancies and overtime expenditures for selected CDC posted positions in 2002-03. While the single position that is the biggest driver of overtime expenditures is correctional officers, the department spent almost \$60 million in overtime costs on the other four classifications of posted positions listed here.

### **Correctional Officer Contract Contributes to Overtime Costs**

Several provisions of the current correctional officer contract result in increased overtime costs. One such provision is the contract requirement that senior officers have the first opportunity to work overtime shifts.

This provision results in higher overtime expenditures than if overtime hours were more evenly distributed among all officers because senior correctional officers have higher base salaries than junior officers. Also, the contract limits the number of hours that Permanent Intermittent Correctional Officers (PICOs) can work as well as the number of PICOs that institutions can hire. The PICOs are relief officers that institutions can call to temporarily fill vacant positions. These officers typically have lower salaries than full-time officers and, therefore, are less expensive when addressing overtime requirements. In addition, the annual salary increases required by the contract between 2003 and 2006 will contribute to the department's overtime costs. This is because as the salary of correctional officers rises, the cost of paying overtime—at 1.5 times that salary—will rise proportionately.

**Figure 4**  
**Vacancies in Many Posted Positions**  
**Contribute to Overtime**  
**2002-03**

*(Dollars in Millions)*

Posted Position	Number of		Average	Overtime
	Positions	Vacancies	Overtime Hours Worked per Month <sup>a</sup>	
Correctional Officer	20,096	398	13.8	\$148.5
Correctional Sergeant	2,528	198	18.3	29.0
Correctional Lieutenant	1,051	104	14.9	10.8
Registered Nurse	982	242	18.2	7.3
Medical Technical Assistant	983	211	24.3	9.7

<sup>a</sup> Per position.

According to the department, a significant increase in sick leave use by correctional officers can also be attributed to the current bargaining contract as a result of two factors. First, the current correctional officer contract eliminated the Extraordinary Use of Sick Leave program that institutions previously used to track and identify sick leave abuse. Second, the new contract changed how sick leave counts towards officers' 40 hours of work each week, making it easier for officers to earn overtime after having taken sick leave. Sick leave use by correctional officers has risen approximately 25 percent since 2000 to an average of 8.3 hours

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per officer per month. The department estimates that it spent over \$80 million for overtime in 2002-03 to cover sick leave.

## Overtime Spending Reflects Institution Factors

Spending for overtime by each of the individual prisons varies considerably, ranging from approximately \$3 million to over \$15 million in 2002-03. This wide variation suggests that overtime expenditures may be in part a reflection of institution-specific factors and activities. In order to evaluate this variation, we used a regression analysis which suggests that the variation in overtime expenditures is related to differences in custody level, assault incidents, and special missions at each prison. Below we illustrate how each of these factors contribute to overtime costs.

**Custody Level.** For the purpose of distinguishing those inmates who are most dangerous, violent, and a threat to escape, CDC classifies inmates on a scale of I through IV with a Level IV inmate being considered the most dangerous or highest threat to escape. The CDC houses inmates in prison housing units with a corresponding ranking designed to ensure the appropriate custody level. The 17 institutions housing Level IV inmates (including San Quentin which houses condemned inmates) average 34 percent more in overtime costs than the other 15 institutions when we control for inmate population. Overtime expenditures are generally related to the security level of institutions because the most dangerous and violent inmates require additional guarding and are the inmates most likely to engage in assaults and other incidents (see below).

**Assault Incidents.** The five prisons with the highest number of recorded assault incidents in 2002 averaged 72 percent more in overtime costs than those five prisons with the fewest assaults when controlling for differences in population size. Inmate incidents, particularly violent ones, often require officers and other staff to complete additional paperwork and provide additional security coverage as a precaution against an escalation of the incident. To the degree that assaults lead to additional workload, officers are likely to work overtime hours to complete these tasks.

**Special Missions.** Several prisons have special missions that they are required to carry out in addition to custody and standard services and programming. Nineteen prisons fulfill at least one special mission, including operating reception centers, security housing units, correctional treatment centers, psychiatric services units, and fire camp training. These 19 institutions averaged 22 percent more in overtime expenditures than those institutions not operating under special missions when we control for population size. It is not clear why the institutions with special missions experience more overtime than the other institutions, though it may

be that these activities require higher levels of staffing but are not budgeted accordingly.

### **Some Prison Activities Regularly Result in Overtime Costs**

Some prison activities often result in overtime costs. In particular, CDC policies and administrative decisions regarding the staffing for medical guarding, transportation, and “administrative segregation overflow” regularly require the usage of overtime by officers and cause high overtime costs.

- **Medical Guarding.** Institutions have to transport some prisoners to local hospitals and clinics for specialty health services that the prisons cannot provide. The CDC spent over \$26 million in overtime for medical guarding in 2002-03. These expenditures covered the costs of providing a team of correctional officers to transport inmates between the hospital and prison and supervise them while in the hospital. Often, the length of time required to complete the medical guarding and transportation requires officers to work beyond their scheduled eight hour shift, thereby generating overtime costs.
- **Transportation.** The department transports inmates for a variety of reasons, including assignment from a reception center to a mainline institution, reassignment to a different institution, release from prison to their home county, and attendance at legal proceedings. Many of these trips can last longer than an officer’s assigned shift, thereby requiring overtime. In 2002-03, department overtime expenditures for transportation were \$2.3 million.
- **Administrative Segregation Overflow.** All prisons have temporary housing for inmates who, for a variety of reasons, need to be separated from the general population. This housing is referred to as administrative segregation (or “ad seg”) and requires more correctional officer staffing than traditional housing in order to supervise and escort these inmates. Ad seg overflow occurs when more inmates are assigned to ad seg than there are cells available, and prison administrators temporarily convert a housing unit designated for another population to ad seg. This additional housing for ad seg is referred to as ad seg overflow. The department experiences overtime expenditures for ad seg overflow because institutions do not receive additional funding for the increased officers necessary to supervise the overflow into additional housing units. The CDC was unable to provide information on the total overtime costs attributable to ad seg overflow in



2002-03. However, anecdotal evidence suggests that the use of ad seg overflow is a regular occurrence at many institutions.

## **Institution Staffing Not Based on Activities and Population**

The department's institution staffing formula does not adequately reflect the staffing requirements associated with various inmate populations and institution activities. Instead, after establishing the base staffing level necessary to operate the institution—based on population, prison design, custody level, and missions—staffing grows by a ratio of one employee for every six inmates above the 100 percent capacity level. While this overcrowding staff can be made up of any mix of personnel to which the institution and administration agree, the fixed one employee to six inmate ratio does not take into account the variation in populations, activities, and prison design at different institutions. For example, similar growth in Level I, General Population inmates and Level IV, mentally ill inmates would result in the same total staffing increases even though the two populations would require very different supervision and programming. We believe that this fixed ratio may work to drive some overtime costs because it may be difficult for those institutions serving high custody inmates and multiple missions to meet all of their staffing needs with the same ratio as other institutions.

## **Recommendations**

*Based on the findings described above, we offer a number of recommendations for reducing CDC's overtime expenditures. The recommendations include filling noncorrectional officer posted position vacancies, renegotiating provisions of the correctional officer contract, reexamining how the department staffs prisons, and improving the accountability of individual institutions to control overtime spending. We believe that these recommendations will result in net fiscal savings for the state by significantly reducing the department's overtime costs.*

### **Fill Posted Position Vacancies**

While significant progress has been made in filling correctional officer vacancies, we recommend that the Legislature adopt supplemental report language requiring the department to identify cost-effective ways to fill vacancies in its other posted positions, especially in those posted position classifications that have the highest vacancy rates (sergeants, lieutenants, and medical positions). The department already offers some recruitment and retention bonuses and has centralized its efforts to re-

cruit qualified medical personnel. However, the department should identify other means of improving its recruitment efforts in order to fill its vacant positions. In so doing, the department could generate net savings by filling these positions at a regular salary level, rather than paying the overtime premium. In addition, filling the posted medical positions will reduce the costs to the department for contracting for medical personnel. It is important to note, however, that the difficulty the department has at hiring and retaining qualified medical technical assistants and registered nurses is part of a broader trend facing other state departments and local hospitals and clinics. Therefore, statewide action may be necessary to fully address this problem.

### **Direct State to Renegotiate Unit 6 Contract**

The state's current fiscal situation has forced it to revisit employee contracts with most unions, and a number of changes have been made to those agreements. In addition, the new administration has indicated a desire to renegotiate contracts to generate budget savings. At the time this analysis was prepared, no change had been made to the correctional officers contract. We recommend that the DPA renegotiate provisions of the correctional officer contract that have contributed to increased overtime expenditures. Specifically, DPA should negotiate to reinstitute the department's program to monitor and discipline sick leave abuse, eliminate the preference given to senior officers for voluntary overtime, and remove the limits on the use of PICOs. These changes, as well any reduction to or delay in correctional officer salary increases, would generate net savings to the General Fund by significantly reducing department overtime costs.

### **Examine Staffing Formulas for Prisons and Prison Activities**

We recommend the adoption of budget bill language requiring the department to identify a more efficient way of distributing staff resources. Our analysis indicates that some factors of the prison population (for example, custody level and inmate assaults) and prison activities (for example, special missions and administrative segregation overflow) significantly contribute to overtime expenditures. However, the department relies upon a fixed ratio of one staff per six inmates to determine the staffing level in individual prisons. It does not take these other factors into account. This is significant because it suggests that staffing may not be directed in the most efficient way to meet the varying staffing requirements of institutions, thereby contributing to the department's high overtime expenditures. A more effective approach to staffing might be to replace the fixed staffing ratio with variable ratios that reflect the staffing

requirements dictated by differences in populations and activities. The department should also present to the Legislature its policies on how it staffs medical guarding, transportation, and administrative segregation overflow and determine a less costly way to staff these activities. The following budget bill language is consistent with this recommendation:

5240-001-0001 Provision X. No later than January 10, 2005, the Department of Corrections shall submit to the Chair and Vice Chair of the Joint Legislative Budget Committee, and the Committee on Budget in both the Assembly and Senate, a report identifying ways to reduce overtime costs caused by the inefficient staffing of state prisons. In particular, this report should identify the fiscal impact of the current staffing ratio used to staff prisons and alternative staffing procedures that would generate state savings, including less costly staffing methods for transportation, medical guarding, and administrative segregation overflow.

### **Improve Institution Accountability**

The administration has indicated its intent to utilize better cost control procedures to manage CDC's spending and improve the fiscal accountability of the department. The relief factor proposal (described later in this chapter) is one part of this plan, and the department indicates that more aspects of the plan will be released as part of the May Revision. We recommend that the administration provide this information to the Legislature prior to the May Revision so that it will have adequate time to review it. The plan should detail how it will address the overtime problem, particularly the variation in overtime expenditures across institutions. While much of the disparity in overtime expenditures at different prisons can be attributed to factors such as special missions and custody level, these factors do not explain all of the variation in overtime costs, suggesting that institution management plays a critical role in controlling overtime spending. For example, the R.J. Donovan (RJD) Correctional Facility and Wasco State Prison (WSP) are similar institutions in that both are male, level III institutions with a reception center and have an above average number of assaults. Yet, while WSP operates with a larger population than RJD, Wasco's overtime expenditures totaled \$6.1 million while expenditures at RJD were \$9.8 million, a difference of 61 percent. The administration should identify in its forthcoming plans ways to better control overtime spending at individual prisons. This could include, for example, changing the overtime authorization process for prison supervisors, improving the effective utilization of fiscal management systems by institutions, and creating incentives for prison administrators to stay within their overtime budgets.

## RELIEF FACTOR PROPOSAL LACKS SUFFICIENT DETAIL

*We withhold recommendation on the Governor's proposal to increase funding by \$99.5 million and 1,239 relief positions to fill in behind officers who are on leave because the administration has not provided sufficient details about key aspects of the request to allow for legislative review. We recommend that the Legislature require the department to provide more detail on this proposal prior to budget hearings, including the estimated savings from reductions in overtime costs, the distribution of positions to institutions, and the administration's fiscal control proposal.*

### Background

**Posted Positions.** The CDC is charged with the responsibility for the custody and care of state prisoners. In order to carry out this mission, the department must have sufficient staffing to supervise and treat inmates 24 hours a day, seven days a week. For this reason, many positions in prisons are "posted" positions, work assignments that must always be filled. In other words, if a posted position is left vacant because the employee normally in that assignment has taken a vacation or sick leave, for example, then another employee would have to fill that position for the day. Most posted positions in institutions are correctional officer assignments, though there are also correctional supervisor, medical, and cook posted positions.

**Posted Position Relief.** The department is able to estimate the average number of days that officers typically take off for various leaves, including regular days off (RDO), holidays, vacations, and sick leave. For example, a guard tower that needs to be staffed during one shift, seven days a week will have one officer assigned to that position, but he will need other officers to fill in twice each week on his RDOs. Based on state-wide averages for correctional officers, the officer will also need relief for another 43 days each year because of holidays, vacation, and sick leave.

**Relief Factor.** The department uses the information on average relief required for RDOs, holiday, vacation, and sick leave to compute a relief factor. For example, the relief factor for most correctional officer positions is 1.67. This means that in order to staff that posted position seven days a week, the department requires not only the full-time officer assigned to that post, but also the equivalent of 67 percent of another full-time officer for relief. This factor is used by CDC to estimate the total number of employees it requires to offer relief for posted positions. The CDC then requests funding in the budget commensurate with this level of staffing.

## Governor's Relief Factor Proposal

The Governor's budget requests 1,239 new relief positions at a General Fund cost of \$99.5 million in 2004-05. The proposal has two components.

- ***Additions Related to Past Reductions—\$15.3 Million and 42 Positions.*** The proposal adjusts for past budget reductions to ensure full funding and staffing of the 1.67 relief factor. These adjustments total \$15.3 million and 42 positions. Of this amount, \$2.8 million and 42 positions are to establish positions requested to achieve the 1.67 relief factor, but not approved in the *2001-02 Budget Act*. The remaining \$12.5 million is meant to backfill for relief funding that was redirected to fund vacant positions in the *2003-04 Budget Act*.
- ***Increase Relief Factor for Additional Leave Programs—\$84.2 Million, and 1,197 Positions.*** The department also proposes funding and positions to increase the relief factor to 1.76 for correctional officers, sergeants, and lieutenants. This increase reflects additional leave programs that are sanctioned by the department and used by officers, but that are not included in the current relief factor of 1.67. These include military, bereavement, and family medical leaves, as well as officer training and result in about 10.5 additional days of leave. The department also proposes to make annual adjustments to the relief factor to reflect actual usage patterns.

Figure 5 (see next page) shows how the proposed relief factor is computed for a full-time correctional officer post. The relief factor is computed for each type of leave by dividing the number of days for each leave category—for example, vacation, 16.51—by the number of days in a personnel-year (PY) (207.72 days). Totaling the resulting relief factors gives the total relief factor for the position.

The department states that the increased relief factor is necessary to provide adequate staffing behind officer positions and will provide two fiscal benefits. First, the staffing of more relief officers will allow officers to take more of their allotted vacation time than they do currently, thereby reducing the bank of accrued leave that the department must pay out when officers leave the department. These payouts can be particularly expensive because the accrued leave balance is paid at the salary level of the employee when he/she leaves a department, which can be a higher pay rate than when the leave was initially earned.

**Figure 5****Proposed Relief Factor for Correctional Officers  
(8 Hour Shift, 7 Day/Week)**

Leaves and PY	Days	Relief Factor
Regular days off	104.00	0.50
Vacation	16.51	0.08
Holiday	14.00	0.07
Sick Leave	12.00	0.06
Training	6.50	0.031
Military	0.14	0.001
Bereavement	0.41	0.002
Family Medical Leave Act	3.72	0.018
Personnel-Year	207.72	1.00
<b>Totals</b>	<b>365.00</b>	<b>1.76</b>

Second, the department argues that the increased relief staffing levels should reduce its reliance on overtime and temporary help. Prison administrators rely on overtime and Permanent Intermittent Officers—temporary, part-time officers—when full-time relief officers are not available. The CDC is currently running deficiencies in both overtime and temporary help totaling \$79 million.

### LAO Comments

*While more relief positions are probably necessitated by the leave usage types and rates identified by the department, the relief factor proposal lacks sufficient detail. To allow for legislative review, we recommend the department be required to provide a more detailed plan prior to budget hearings.*

**Implementation and Fiscal Details Lacking.** The 32 state prisons operated by CDC each have unique characteristics. For example, they vary in their design and mission, the size and makeup of their workforce, and the amount of overtime that is required of staff. Prisons also vary in their leave usage patterns, including average rates of sick leave and vacation. Cumulatively, these factors make a significant difference in the requirements for staffing at each prison, including the number of relief officers.

Despite these differences, the department's plan does not detail how it would distribute the proposed 1,239 positions among its 32 institu-

tions. The department has suggested that at some future time it intends to create separate relief factors for each prison. We agree that this would be an effective approach to accounting for the variation in relief required at different institutions. However, no details of such a plan are provided.

In addition, while the department claims that the relief factor proposal will have certain fiscal benefits to the state, it does not provide an estimate of how much the proposal will reduce spending for leave balances, overtime, and temporary help. The lack of such information makes it difficult for the Legislature to (1) assess the proposal's full fiscal impact and (2) hold the department accountable for achieving the suggested results.

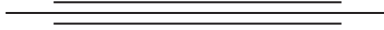
***Department May Lack Necessary Fiscal Controls.*** The administration suggests in the *Governor's Budget Summary* that it will propose fiscal control measures designed to enable CDC to better manage how positions are used at institutions. We agree that the decentralized nature of CDC, autonomy of individual institutions, and limited fiscal tools by central management has historically limited the ability of CDC headquarters to control institution spending. In light of the department's fiscal control problems, we are concerned that CDC may lack the necessary fiscal controls for institutions to ensure that the proposed relief positions are utilized as intended by each institution.

***Training Provision of Correctional Officer Contract Biggest New Cost Driver.*** The current bargaining contract with the correctional officer union requires that, beginning in 2004-05, the department provide monthly officer training during officers' normal work schedule rather than off-schedule as is done currently. As with leaves, this training requirement will necessitate that the department fill positions with relief officers during those hours. More than half of the total cost of the additional leave programs is a result of this contract provision. The administration has already indicated that it will seek to renegotiate provisions of the correctional officer contract in order to generate state savings. Returning to the former practice of requiring correctional officers to participate in training outside of their normal scheduled hours would reduce the cost of this relief factor proposal by approximately \$50 million annually.

## **Analyst's Recommendation**

To enable the Legislature to fully assess this proposal, we recommend that the Legislature require CDC to provide a detailed plan of how it will implement the relief factor proposal and what reductions in spending would be achieved. We also recommend that the department report prior to budget hearings regarding the details of its fiscal control and accountability proposal for CDC. Specifically, the administration should address how provisions of its fiscal control proposal will impact the implementa-

tion of the relief factor proposal at state prisons. Finally, in light of the magnitude of the current request and the state's fiscal challenges, the Legislature may wish to direct the department to provide a plan for phasing in the relief factor proposal over time.





## DEPARTMENT OF THE YOUTH AUTHORITY (5460)

The Department of the Youth Authority is responsible for the protection of society from the criminal and delinquent behavior of young people (generally ages 12 to 24, average age 19). The department operates training and treatment programs that seek to educate, correct, and rehabilitate youthful offenders rather than punish them. The department operates ten institutions, including two reception centers/clinics and four conservation camps. In addition, the department supervises parolees through 16 offices located throughout the state.

### BUDGET PROPOSAL

The Governor's budget proposes total expenditures of \$378.1 million for the Youth Authority in 2004-05. This is \$56.7 million, or about 13 percent, below estimated current-year expenditures. General Fund expenditures are proposed to total \$316.7 million in the budget year, a decrease of \$44.7 million, or 12 percent, below expenditures in 2003-04. The department's proposed General Fund expenditures include \$34 million in Proposition 98 education funds. The Youth Authority also estimates that it will receive about \$59.4 million in reimbursements in 2004-05. These reimbursements primarily come from fees paid by counties for wards sent to the Youth Authority.

The decrease in General Fund spending in the budget year is the result of proposed closures of youth correctional facilities, as well as a projected decrease in the institution and parole populations.

### WHO IS IN THE YOUTH AUTHORITY?

There are several ways that an individual can be committed to the Youth Authority's institution and camp population, including:

- **Juvenile Court Admissions.** Most first-time admissions to the Youth Authority are made by juvenile courts. As of December 31, 2003, 97.1 percent of the institutional population was committed by the juvenile courts and included offenders who have committed both misdemeanors and felonies.
- **Criminal Court Commitments.** These courts send juveniles who were tried and convicted as adults to the Youth Authority. On December 31, 2003, 2.9 percent of the institutional population were juveniles committed by criminal courts.
- **Corrections Inmates.** This segment of the Youth Authority population, 1.5 percent of the population in December 2003, is comprised of inmates from the California Department of Corrections (CDC). (This percentage of the population is a portion of the criminal court commitments identified above.) These inmates are referred to as "M cases" because the letter M is used as part of their Youth Authority identification number. These individuals were under the age of 18 when they were committed to CDC after a felony conviction in criminal court. Prior to July 22, 1996, these inmates could have remained in the Youth Authority until they reached the age of 25. Chapter 195, Statutes of 1996 (AB 3369, Bordonaro), restricts Youth Authority commitments for future M cases to only those CDC inmates who are under the age of 18 at the time of sentencing. This law requires that M cases be transferred to the CDC at age 18, unless their earliest possible release date comes before they reach age 21.
- **Parole Violators.** These are parolees who violate a condition of parole and are returned to the Youth Authority. In addition, some parolees are recommitted to the Youth Authority if they commit a new offense while on parole.

**Characteristics of the Youth Authority Wards.** Wards in Youth Authority institutions are predominately male, 19 years old on average, and come primarily from Southern California. Hispanics make up the largest ethnic group in Youth Authority institutions, accounting for 49 percent of the total population. African Americans make up 30 percent of the population, whites are 16 percent, and Asians and others are approximately 5 percent.

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## FACILITY CLOSURES

*The number of youthful offenders in state correctional facilities has declined significantly and continues to decline. Consequently, legislation has been enacted requiring the Youth Authority to close four of its correctional facilities by 2007.*

In this piece, we discuss two issues: (1) the population assumptions included in the Governor's budget, including the potential impact of the budget proposals on the ward population and (2) the facility closures currently underway, the proposed closure of an additional facility, and the fiscal and programmatic impact of the closures to date.

### **Background**

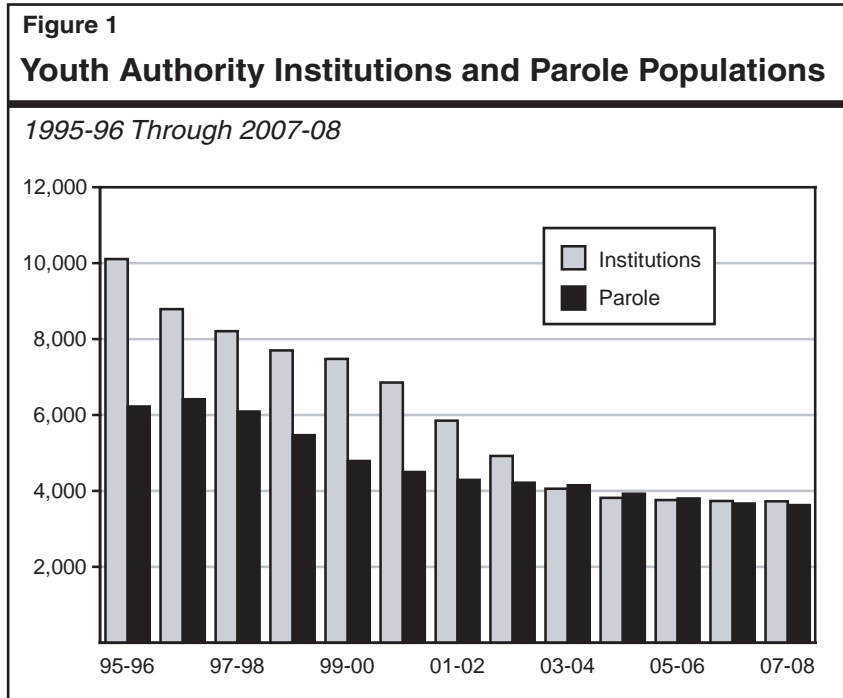
#### **Ward and Parolee Populations Continue to Decline**

*We withhold recommendation on the population assumptions included in the budget pending receipt of the May Revision. We recommend that the administration provide, as part of its updated spring population projections, an estimate of the impact of the Governor's policy proposals on the ward population.*

The number of youthful offenders at the Youth Authority has declined significantly, dropping from a high of nearly 10,000 wards at the end of 1995-96 (June 1996) to less than 4,900 at the end of 2002-03 (June 2003). This decline is the result of a number of factors, including a significant decrease in the rate of juvenile arrests for violent offenses, as well as changes in state law affecting how much counties pay to send certain wards to the Youth Authority. (Please see our *2002-03 Analysis*, page D-48, for a detailed discussion of county sliding scale fees paid to the state by counties.) Figure 1 (see next page) shows the Youth Authority's institutional and parolee populations from 1995-96 through 2007-08.

**Projected Versus Budgeted Population.** The Youth Authority projects that the *institution* population will continue to modestly decline, falling from 4,055 wards at the end of the current year to about 3,800 by the end of the budget year, and then reaching 3,700 wards by the end of 2007-08 (June 2008). The Youth Authority similarly projects a decline in the *parolee* population, with this population decreasing from 4,150 by the end of the current year to 3,925 by the end of the budget year, and then decreasing further to about 3,600 by the end of 2007-08 (June 2008).

The Governor's budget provides funding for 48 fewer wards than the Youth Authority projects for 2003-04 and about 240 fewer wards for 2004-05. This seems reasonable given that the department's projections



historically have been higher than actual population levels. The budget provides full funding for the projected parole population.

**Impact of Governor’s Proposals on Ward Population**

The budget contains a number of proposals which could have an impact on the ward population. For example, it proposes legislation to (1) change the age jurisdiction of the Youth Authority from 25 years of age to 22 years of age and (2) enact sentencing reforms that would allow certain wards to be transferred to the adult prison system. The details of these policy proposals have not been provided to the Legislature and the budget assumes no budget year impact. However, we expect these changes would have the affect of decreasing the ward population. The budget also proposes to eliminate the TANF block grant, which—as we discuss in the “Crosscutting” section of this chapter—could have the opposite effect of increasing the ward population. None of these proposals would likely have a significant effect on the ward population in the short term, but should be considered in making budgetary decisions affecting the state’s long-term interests, such as whether to close additional youth correctional facilities.

*Spring Projections Should Reflect Governor's Proposals.* We withhold recommendation on the budget's population assumptions pending receipt of the May Revision budget proposal and population projections. This will provide a couple months of additional actual population data, as well as an opportunity to examine the potential impact of some of the Governor's budget proposals on the future ward population. We recommend 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 the Youth Authority's future population.

## **Governor's Budget Accelerates Closures**

As a result of the substantial drop in the number of wards, Chapter 1124, Statutes of 2002 (AB 3000, Oropeza), required the Youth Authority to develop a consolidation plan and to close three of its facilities by June 2007. Chapter 158, Statutes of 2003 (AB 1758, Oropeza), subsequently required the department to close an additional facility.

Figure 2 (see next page) shows the correctional facilities that have been or are in the process of closure, the anticipated closure date, and the savings associated with each closure. As the figure shows, the budget plan includes closing a total of 3.5 facilities (the partial closure relates to the male portion of the Ventura facility), as well as a conservation camp and excess living units, by 2005 rather than by 2007, as current law requires. The budget assumes current-year savings of \$11 million, and budget-year savings of \$52.1 million from the closures, including \$25.9 million from closing the Nelles facility.

### **Nelles Closure Has Merit**

*We recommend approval of the proposed closure of the Fred C. Nelles Youth Correctional Facility because of the substantial decline that has occurred in the ward population and the resulting excess capacity in the system. We further recommend that the department provide at the time of budget hearings a revised estimate of the savings from the closure of this facility, as well as information on the impact of the Nelles closure on the population levels in open living units at the remaining institutions.*

*Nelles Facility Is Old, Expensive to Maintain, and Has High Operating Costs.* Built in 1945, Nelles (located in Whittier) is the oldest Youth Authority facility in California. To renovate and upgrade this facility would be expensive. The department has identified over \$70 million in needed deferred maintenance and major capital outlay costs, which is higher than any other institution. In addition, Nelles has the highest operating costs—\$56,000 per capita last year—of any Youth Authority institution. Also, it has been noted that the facility's location in central Whittier,

particularly its close proximity to residential and commercial property, poses a potential public safety concern. Because Nelles is in close proximity to two other Youth Authority facilities (within 50 miles), the difficulty of transferring staff and wards from the closure of Nelles would be somewhat mitigated.

**Figure 2****Fiscal Impact of Closing Youth Authority Facilities***(In Millions)*

Institution	Closure Completion Date	Savings	
		2003-04	2004-05
Karl Holton	September 2003	\$3.5	\$6.0
Ventura <sup>a</sup>	March 2004	0.5	2.4
Northern California Reception Center	March 2004	4.2	15.4
Fred C. Nelles	March 2005	—	25.9
Mt. Bullion Conservation Camp	March 2005	—	2.4
Eight accelerated living units	July 2004	2.8	—
<b>Totals</b>		<b>\$11.0</b>	<b>\$52.1</b>

<sup>a</sup> The male portion only.

***Other California Youth Authority Facilities Could Absorb Nelles Ward Population.*** Our examination of the Youth Authority's bed capacity statewide indicates that there are sufficient beds at the other institutions to absorb the roughly 400 wards currently residing at the Nelles correctional facility. Total ward population is projected to drop to 3,800 by the end of the budget year, and continue to decline to 3,700 by the end of 2007-08. Excluding the beds at the Nelles facility, the Youth Authority will have a total design capacity of 5,300 beds, which means there will be excess capacity of more than 1,500 beds by the end of 2004-05—more than enough to absorb the roughly 400 wards at Nelles. Some of these beds will be required for special programming, but even after accounting for this factor, there should be more than adequate beds to close Nelles.

***Savings From Closure May Be Overstated.*** According to the department, the savings estimate of \$25.9 million currently included in the budget from closing Nelles may be overstated. This is because, in part, as we

indicated above, the budget assumes a smaller ward population than projected by the Youth Authority. If the Youth Authority's projection of slightly higher population proves to be more reasonable, additional funds may be needed to house wards transferred from Nelles.

***Sale of the Land Could Generate Significant New Revenue.*** The closure of Nelles has the potential to provide the state with surplus property funds of an unspecified amount at some time in the future. According to the Youth Authority staff, the land is valued in the several tens of millions of dollars. Closing the facility in Whittier could also generate revenues for local government depending on its final use. The city currently generates no property taxes on the land because it is state property. However, if the state were to sell the land to a nongovernmental entity, the city would be able to collect property taxes and potentially other revenues depending on its ultimate use.

It should be noted that the Governor's budget requests \$3 million in the Department of General Services and two positions for work related to the closure of Nelles and potentially other Youth Authority facilities. (See our analysis regarding this request in the "General Government" chapter of this Analysis.)

***Impact of Closures on Wards and Staff.*** It is our understanding, based on discussions with the Youth Authority, that neither the closure of Karl Holton nor the closures currently in progress have caused significant disruptions in ward programming. This is because the Youth Authority was able to successfully match the program needs of the wards with programs offered at nearby institutions. In addition, the Youth Authority reports that it has been able to avoid layoffs through the creation of a permanent intermittent employee pool. Although closure of the Northern California Reception Center presented a challenge because it had the only health clinic in the northern part of the state, the Youth Authority addressed this issue by relocating just the clinic to the Preston facility in Ione, California. As for the proposed closure of Nelles, the Youth Authority expects the transfer and relocation impact on wards and staff to be somewhat mitigated by its proximity to nearby facilities and through continued use of the permanent intermittent employee pool.

***Receiving Facilities Will Experience Higher Ward Population Levels.*** The institutions that receive wards from the closed facilities will accordingly experience higher population levels. According to Youth Authority staff, absent funding to open previously closed living units, the population levels in some of the open living units will exceed the design capacity, thereby making for a less secure environment that is less conducive to effective treatment and programming. However, given the projected continuing decline in the ward population, this concern may be

somewhat mitigated. However, at the time this analysis was prepared, the Youth Authority could not provide information on the projected level of crowding in open living units after the closure of the Nelles facility. We recommend that the Youth Authority provide this information to the Legislature before budget hearings.

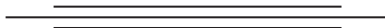
### **Should Youth Authority Be Required to Close Another Facility?**

Based on our analysis of the number of available beds systemwide, and the projected decline in the ward population, it appears that the state could potentially close another state youth correctional facility. However, several issues need further examination and consideration before the Legislature could make a decision on closing another facility.

First, the net impact of several of the Governor's proposals on the ward population is unknown. On one hand, the budget proposal to change the age jurisdiction of the Youth Authority could decrease the ward population over time. On the other hand, as we discuss earlier in this analysis, the proposal to allow the TANF block grant for county probation to expire could result in increased commitments to the Youth Authority.

Second, the Youth Authority consolidation plan prepared for the Legislature did not envision closing more than three facilities. Therefore, the full potential impact of additional closures is unknown. For example, it is not clear whether all wards could obtain needed treatment services at the remaining institutions if additional facilities were closed. Some facilities offer specialized treatment services that are not offered elsewhere. Additional closures may also lead to a distribution of beds in the northern and southern parts of the state that could require many juveniles to be located further away from family members. The Youth Authority has been able to avoid these issues so far, but they become increasingly more difficult to avoid as additional facilities are closed.

We recommend the Legislature direct the Youth Authority to report at budget hearings on opportunities for closing additional facilities, as well as on the potential impact of the Governor's proposals on its future population.





# FINDINGS AND RECOMMENDATIONS

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### Crosscutting Issues

#### *Valdivia Remedial Plan for Parole Revocation*

- D-13 ■ **Implementation of Valdivia Plan Will Require State Expenditures.** We recommend that the Board of Prison Terms and the Department of Corrections report to the Legislature at committee hearings on the fiscal impacts of the *Valdivia v. Schwarzenegger* settlement reforming the state's parole revocation process.

#### *Office of Inspector General*

- D-18 ■ **Elimination of Office of Inspector General Not Justified.** We recommend that the Legislature reject the governor's proposal to eliminate the Office of the Inspector General, and transfer some of its function to the Youth and Adult Correctional Agency because the budget fails to justify such a reduction on a workload or public accountability basis. We also provide options for strengthening the OIG's oversight role.

#### *TANF Block Grant for Probation*

- D-23 ■ **Temporary Assistance for Needy Families (TANF) Proposal Could Have Unintended Consequences.** The Governor's budget proposes to allow the TANF block grant funds for county juvenile probation programs to

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expire, thereby reducing funding for local probation services, in particular residential facilities such as juvenile halls, camps, and ranches. This could result in additional commitments to the Youth Authority and thus increased General Fund costs. As an alternative, we recommend the Legislature consider eliminating or suspending other programs, in particular the Citizens' Option for Public Safety and Juvenile Justice Crime Prevention Act grant programs.

***Office of Criminal Justice Planning Elimination: Update***

- D-28     ■ **Issues Related to Governor's Reorganization Plan for Office of Criminal Justice Planning (OCJP).** We recommend that the Legislature require the Department of Finance (DOF) to adhere to the March 1, 2004 deadline for submitting a Reorganization Plan for OJCP. Additionally, we recommend that DOF advise the Legislature at budget hearings as to how the Reorganization Plan addresses the issues identified by the Chair of the Joint Legislative Budget Committee.

**State Trial Court Funding**

- D-35     ■ **Information Technology (IT) at the Judicial Council: Assessment.** We agree that the Administrative Office of the Courts (AOC) needs to replace its existing case management and accounting systems. However, our analysis concludes that AOC's IT process is inadequate, and does not justify the case management and accounting projects it chose to develop and implement. For this reason, we make several recommendations, including that the Legislature (1) adopt trailer bill language requiring that the AOC use the state's IT process, and (2) adopt budget bill language designed to improve the implementation of its case management and accounting systems.

**Analysis****Page****Department of Corrections**

- D-43 ■ **Department to Experience Budget Deficiency.** The proposed budget includes funding for most of the deficiency request submitted by the California Department of Corrections (CDC) in October. The department potentially will experience a budget deficiency at the end of this year due to a number of items not proposed in the budget. We recommend that the Legislature require the administration to identify ways to eliminate this deficiency in the budget year as part of its broader cost containment plan to be released in the spring.
- D-45 ■ **Additional Savings in Corrections Budget May Be Difficult to Achieve.** The Governor's proposed budget includes \$400 million in correctional savings. However, the details of these reductions are not specified. We suggest that the magnitude of savings proposed will be difficult to achieve given the changes already underway in the department and the time it takes implementing changes in a department as large as CDC. We recommend that the Legislature request the administration to release the details of its proposed reductions before the May Revision to give the Legislature sufficient time for review.
- D-48 ■ **Caseload May Require Further Adjustment.** We withhold recommendation on the 2004-05 budget request for caseload funding. Ongoing delays and difficulties implementing current-year budget reforms designed to reduce the prison population make it difficult to accurately project the department's caseload. We will continue to monitor the caseload and recommend further changes, if necessary, following review of the May Revision.

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- D-50 ■ **2003 Parole Reforms.** We find that implementation delays will reduce the population and fiscal impacts of the current-year parole reforms. We also find that additional opportunities exist to expand the new parole system. We recommend that the Legislature direct CDC to report on the impact of the implementation delays, and that the Legislature direct CDC to examine the fiscal impact of expanding the parole reforms.
- D-58 ■ **Overtime Spending Remains High.** Despite recent efforts by the Legislature and CDC, spending on overtime continues to be high and contribute to the department's deficiency. We found that several factors contribute to the department's ongoing overtime problem, including unfilled vacancies, provisions of the correctional officer contract, and a fixed staffing ratio that does not account for different staffing requirements among prisons. Based on these findings, we make several recommendations that would reduce overtime expenditures and generate General Fund savings.
- D-68 ■ **CDC's Relief Factor Proposal Lacks Sufficient Detail.** We withhold recommendation on the Governor's proposal to increase funding by \$99.5 million and 1,239 relief positions to fill in behind officers who are on leave. The administration has not provided sufficient details about key aspects of the request to allow for legislative review. We recommend that the Legislature require the department to provide more detail on this proposal prior to budget hearings, including the estimated savings from reductions in overtime costs, the distribution of positions to institutions, and the administration's fiscal control proposal.

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**Analysis****Page****Youth Authority**

- D-75 ■ **Ward and Parolee Populations Declining.** The Department of the Youth Authority's institutional population is projected to continue to modestly decrease from 4,055 wards at the end of the current year to about 3,800 by the end of the budget year, and then reach 3,700 wards by June 30, 2007. The Youth Authority similarly projects a decrease in the *parole* population from 4,150 by the end of the current year to 3,925 by the end of the budget year, and then decreases further to about 3,600 by 2007-08 (June 2008).
- D-77 ■ **Spring Population Projections Should Reflect Governor's Proposals.** We withhold recommendation on the budget's population assumptions pending receipt of the May Revision budget proposal and population projections. This will provide a couple months of additional actual population data, as well as an opportunity to examine the potential impact on future ward population of some of the Governor's budget proposals. We recommend the Legislature direct the Youth Authority to factor the impact of the Governor's proposals into its updated spring population projections.
- D-77 ■ **Nelles Closure Has Merit, but Savings May Be Overstated.** We recommend approval of the proposed closure of the Fred C. Nelles Youth Correctional Facility, as this will reduce the overhead operating costs of the department, as well as provide an opportunity to generate tens of millions of dollars in new revenue from the sale of the land. We further recommend that the department provide at the time of budget hearings a revised estimate of the savings from the closure of this facility.





