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LAO Alternative Budget Options

LEGISLATIVE ANALYST'S OFFICE

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Hon. Juan Arambula, Chair

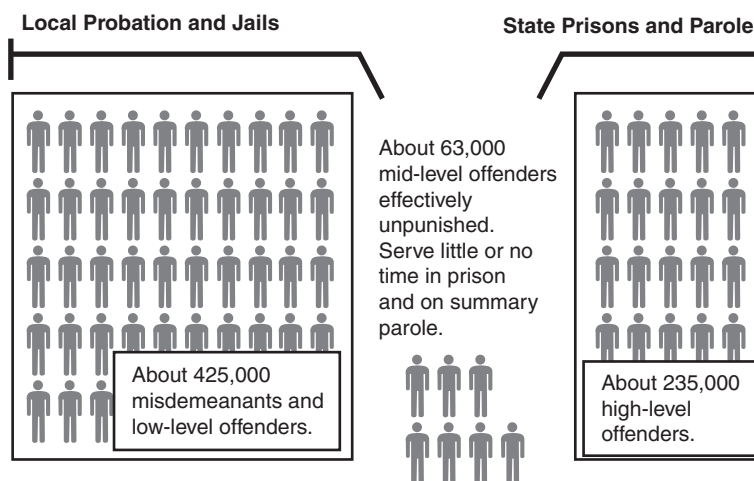




Administration Population Reduction Proposals Not Best Public Safety Options

Administration's Proposals Will Create a Gap In the Criminal Justice System

2009-10^a



^aReflects full implementation of the proposals.

- The administration proposes two policies—20-month early release and summary parole—designed to significantly reduce the state’s inmate and parolee caseloads by a total of 63,000 offenders at full implementation in 2009-10.
- The administration estimates its proposals would save the state \$354 million in 2008-09 and \$758 million in 2009-10.
- We are concerned that these proposals would negatively affect public safety by creating a gap in the state’s criminal justice system because many of the offenders affected by the law would receive little or no punishment for their crime, and the policies would reduce the incentive for offenders to participate in diversion programs.



Better Options Available to Reduce Inmate and Parole Populations

Advantages and Trade-Offs With Changing Wobblers to Misdemeanors

Advantages

- Maintains continuum of state's criminal justice system rather than creating a gap, thereby ensuring that offenders are subject to criminal sanctions for their crimes.
- Better maintains incentives for offenders to participate in diversion programs such as Proposition 36 and drug courts.
- Lower administrative costs to implement.
- Greater reduction in overcrowding of prison reception centers, further reducing costs, especially those related to inmate health care.
- Budget savings of hundreds of millions of dollars beginning in near term.
- Target relatively low-level state inmates.
- Might preempt federal court-ordered inmate population reduction.

Trade-Offs

- Would reduce the time served by some of these offenders.
- Would increase the offender population supervised in jails and on probation.
- Would result in lesser punishment for some offenders who have prior convictions for serious or violent crimes.

- We have identified two alternatives that would better minimize the impact to public safety and achieve budget savings—changing “wobblers” to misdemeanors and earned discharge.
- Changing wobblers to misdemeanors would maintain the continuum of criminal sanctions for mid-level offenders while achieving budget savings of roughly the same magnitude as the administration’s 20-month early release proposal—about \$250 million in 2008-09 and about \$700 million by 2010-11.
- Earned discharge would provide a better balance between budget savings and offender accountability. The savings would be about \$50 million in 2008-09 and about \$100 million in 2009-10.



Parole Realignment Could Result in Better Public Safety Outcomes

Parolees Proposed for Realignment to Local Probation	
<i>June 30, 2007</i>	
Current Offense	Number of Parolees
Property Offenses	
Second degree burglary	7,482
Vehicle theft	7,128
Petty theft with a prior theft	6,159
Receiving stolen property	4,920
Forgery/fraud	4,104
Grand theft	3,736
Other property offenses	1,146
Subtotal, Property Offenses	(34,675)
Drug Offenses	
Drug possession	19,046
Drug possession for sale	12,057
Marijuana possession for sale	1,280
Marijuana sales	538
Other marijuana crimes	179
Hashish possession	49
Subtotal, Drug Offenses	(33,149)
Driving under the influence	3,539
Total, All Offenses	71,363

- The LAO proposes to realign the responsibility for supervising 71,000 parolees with current convictions for nonserious, nonviolent drug and property crimes to local probation departments who already supervise similar offenders.
- This proposal would save the state an estimated \$483 million in the budget year and improve public safety by giving local governments a greater stake in the outcomes of offenders released to their communities. Realignment would also allow local governments to better respond to criminal activity specific to their communities and set their own priorities for public safety programs and expenditures.



Realignment Overview



Three Financing Approaches

- Shift state General Fund revenues to counties.
- Impose new tax.
- Reallocate other tax revenues.



LAO Budget Package Reallocates

- Water and waste district property taxes, \$188 million.
- Proposition 172 sales taxes, \$178 million.
- Department of Motor Vehicle (DMV) vehicle license fee (VLF) revenues, \$130 million.
- Other financing approaches and revenue mixes possible.



Goal—Give Counties

- Fiscal flexibility and incentives to promote good outcomes.
- Revenues equal to what the state spends to supervise the offenders (\$483 million) and resources for transitional costs and incentives (\$12 million).



Property Tax Reallocation: Background

- ☑ **California's Second Largest Source of State-Local Revenues**
 - Legislature responsible for allocating property taxes.
 - Current allocation laws reflect taxation decisions of the 1970s.
 - Legislature directed special districts to shift to user fees.

- ☑ **Water, Sewer, and Solid Waste Services
Most Californians Served by a Branch of Their City or County**
 - Some served by independently elected special districts.
 - State Controller calls these districts water and waste "enterprise special districts" because they operate like businesses.

- ☑ **Water and Waste Services
Primary Funding Source Is User Fees**
 - However, almost one-half of the state's 1,212 water and waste districts receive some property taxes.
 - Property taxes typically represent less than 10 percent of these districts' operating costs.
 - Property taxes can allow districts to charge lower user fees.



Property Tax Reallocation: Proposal



Policy

- Use property tax revenues for broad-based public services.
- Establish a local process for tax allocation decision making.



Delegate to County Boards of Supervisors Authority to Reallocate Property Taxes From Water and Waste Districts to Parole Realignment

- Reallocate about one-half of statewide district property taxes (\$188 million of \$370 million).
- No county would shift more than 70 percent of countywide district property taxes.
- Shifts from specific districts could vary significantly.
- Voter-approved property taxes (taxes over the 1 percent rate) and property assessments are exempt from reallocation.



Model Based on 1993 Tax Reallocation Experience in Santa Cruz



Proposition 172: Background and Proposal



Voters Amended Constitution in 1993 to:

- Create a one-half cent state sales tax for local public safety.
- Specify that the revenues shall be allocated according to statute.



Current Proposition 172 Allocation

- Revenues collected by state and allocated to counties based on location of taxable sales.
- Counties transfer about 6 percent of revenues to cities that sustained property tax reductions. known as the "ERAF" shift, in 1993.



LAO Parole Realignment

- Redirect 6 Percent of Total Statewide Proposition 172 Revenues to Statewide Parole Realignment Account
- Allocate Remaining Proposition 172 Revenues to Counties Based on Taxable Sales (Similar to Current Law)



DMV VLF: Background and Proposal

- VLF Revenues Are Allocated to Cities and Counties After DMV Subtracts a Share to Pay for Its Tax Collection Costs**
 - No perfect way to determine DMV's collection costs.
 - Long-standing methodology reflects DMV's budget total and amount of revenues collected by DMV.

- VLF Rate Reduction: Cities and Counties Held Harmless**
 - State shifted property taxes from schools to cities and counties.
 - State General Fund backfilled schools for their revenue losses.

- VLF Rate Reduction: DMV Also Held Harmless**
 - DMV's revenues from VLF would have decreased from \$339 million to \$209 million (about one-third).
 - Statute allows DMV to calculate its share of VLF under the assumption that the VLF rate is still 2 percent.
 - Cost to General Fund to hold DMV harmless, \$130 million.

- LAO Parole Realignment**
 - Repeal Statute Allowing DMV to Calculate VLF Revenues Under the Assumption That VLF Rate Is Still 2 Percent
 - Use \$130 Million of DMV VLF for Parole Realignment
 - DMV May Increase Registration Fee by About \$4 per Vehicle to Offset Reduced VLF Revenues



Putting It Together

- Assign Each County a “Parole Funding Target” Based on the Size of Its Population**
- Water and Waste District Property Taxes Serve as the First Source of Resources for Each County’s Parole Funding Target**
- Counties That Need Additional Resources to Reach Their Parole Funding Targets Receive Funds From the State Account (Proposition 172 Revenues and DMV VLF Revenues)**
- \$12 Million Additional Resources in Statewide Account Allocated**
 - Initially, to all counties to offset transition costs.
 - Later, to counties making the greatest progress towards reducing recidivism and improving public safety.



Local Public Safety Grants Could Be Restructured

Issue Summary

- There are 15 different programs across four budget items that provide funding to local agencies involved in public safety.
- Most of these programs were created when the state was in better fiscal circumstances to provide supplemental funding for local agencies involved in public safety.
- Given the state's fiscal condition this year, the Legislature must decide if it can afford to continue to provide supplemental funding for public safety functions that are primarily local responsibilities.
- The Governor's budget proposes across-the-board 10 percent reductions for these programs, which would save about \$60 million in 2008-09.
- The LAO alternative budget proposes various program reductions and consolidations according to four criteria to save \$270 million in 2008-09.

LAO Alternative Criteria

- Eliminate funding for programs that are a local responsibility.
- Tie funding level to program results and program effectiveness.
- Consolidate programs with overlapping objectives.
- Eliminate General Fund support if other funding sources available.

Impact of LAO Alternative on Public Safety

- Altogether the reductions proposed constitute only around 1 percent of local public safety expenditures, so the impact should be minimal.
- Certain programs could be supported with special funds.
- Many programs have not reported any results or demonstrated that they improve public safety.



LAO Alternative Budget for Local Public Safety Grant Programs

LAO Alternative Budget for General Fund Local Public Safety Grant Programs			
<i>(Dollars in Millions)</i>			
Program	2007-08	Governor's Budget 2008-09	LAO Alternative 2008-09
Local Government Financing (Item 9210)			
Citizens' Option for Public Safety (COPS)	119.0	107.1	—
Juvenile Justice Crime Prevention Act (JJCPA) ^a	119.0	107.1	—
Small and Rural Sheriffs Grants	18.5	16.7	—
Local detention facility subventions	35.0	31.5	—
California Department of Corrections and Rehabilitation (Item 5225)			
Juvenile Probation and Camps Funding (JPCF) ^a	201.0	180.9	304.0
Mentally Ill Offender Crime Reduction (MIOCR)	45.0	40.5	—
Office of Emergency Services (Item 0690)			
War on Methamphetamine / CAL-MMET	29.4	26.5	7.1
Vertical Prosecution Block Grant ^b	16.2	14.6	19.0
High-Tech Theft Apprehension	13.3	12.0	10.0
Sexual Assault Felony Enforcement Program	5.7	5.1	—
Rural Crime Prevention	4.1	3.7	3.1
Gang Violence Suppression	1.8	1.6	—
CALGANG Program	0.3	0.27	0.3
Multi-Agency Gang Enforcement Consortium	0.09	0.08	—
Department of Justice (Item 0820)			
Spousal Abuser Prosecution ^b	3.0	3.0	—
Totals	611.4	550.6	343.5
^a Under the LAO Alternative, these two programs are consolidated. ^b Under the LAO Alternative, these two programs are consolidated. The LAO Alternative Budget for local public safety grant programs saves more than \$200 million General Fund, compared to the Administration's proposal.			