

Prisons vs. Universities Proposal Would Unwisely Lock Up Budget Flexibility

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In his January budget, the Governor proposed a state constitutional amendment that would require reductions in spending on state corrections, with corresponding increases in spending for public universities. Beginning in 2014-15, the state would be required to dedicate no more than 7 percent of state General Fund spending to corrections and no less than

10 percent to public universities. We urge the Legislature to reject this proposal because it (1) would unwisely constrain the state's ability to allocate funding where it is most needed each year; and (2) is unnecessary, as the state already has the ability to shift funding among programs without this constitutional amendment.

BACKGROUND: SHARES OF STATE FUNDING HAVE SHIFTED OVER TIME

Share Going to Corrections Has More Than Doubled

The state correctional system is administered by the California Department of Corrections and Rehabilitation (CDCR). (In 2005, CDCR subsumed several predecessor agencies, including the Department of Corrections, the California Youth Authority, the Board of Corrections, and the Board of Prison Terms.) The Governor's revised 2009-10 budget provides CDCR with \$8.1 billion in General Fund support, which represents about 9.5 percent of total General Fund spending. (This amount reflects various offsets of almost \$1 billion, which lowered state General

Fund spending in CDCR by this amount on a one-time basis.) The CDCR's share of the General Fund has increased from 4 percent over the past 25 years, as shown in Figure 1 (see next page).

Share Going to Universities Has Declined

The state maintains two public university systems—the University of California (UC) and the California State University (CSU). For 2009-10, UC and CSU together receive \$4.9 billion in General Fund support, or about 5.7 percent of total General Fund expenditures. As shown in Figure 1, the share of the state budget going

to the universities has declined from about 11 percent in 1984-85. In addition to General Fund support, UC and CSU receive about \$2.5 billion annually in student fee revenue that also supports their general costs. (In addition, the state provides about \$3.7 billion in annual General Fund support to the California Community Colleges.)

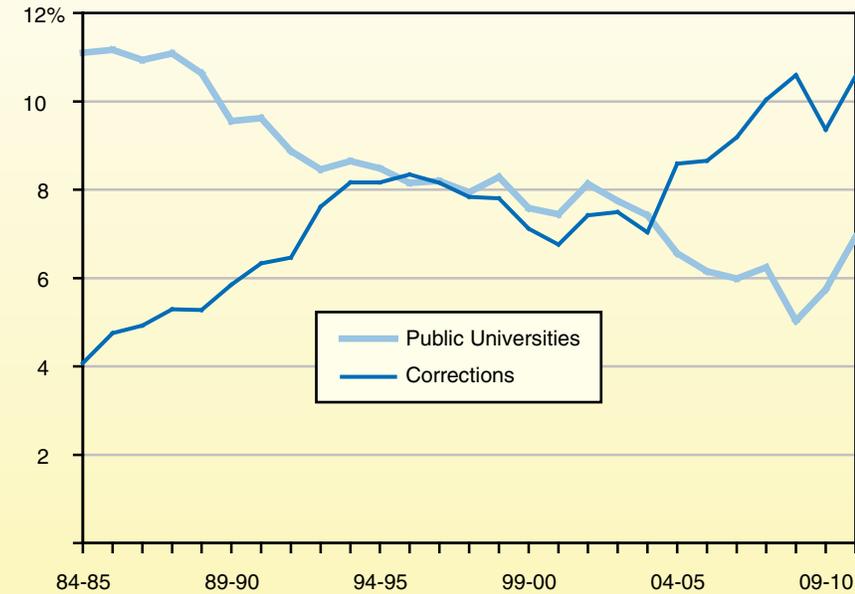
Different Factors At Play

The shifts in the shares of General Fund support going to the state’s correctional system and its universities are due to very different factors. For example, over the past two decades, prison costs have increased largely as a result of increases in the inmate and parolee populations, federal court orders to improve inmate health care, and negotiated increases in compensation for correctional employees. Meanwhile, the state cost of educat-

ing university students has declined as the universities have enacted student fee increases that shift a portion of costs onto students. In addition, an increasing amount of state funding that is used to pay education expenses on behalf of UC and CSU students is appropriated to the state’s Cal Grant program, and thus is not counted as a direct appropriation to the universities.

Figure 1
Percentage of State General Fund Spent on Corrections and Public Universities

(2010-11 shares are proposed.)



PROPOSAL WOULD LOCK IN SHARES OF STATE SPENDING

The Governor’s proposed constitutional amendment would require that, beginning in 2014-15, no more than 7 percent of state General Fund support be spent on CDCR (or any successor state agency) and no less than 10 percent be spent on UC and CSU. (This would roughly

reverse the current shares dedicated to corrections and universities.) These minimum and maximum shares would be in place indefinitely. For any single year, they could be suspended by a two-thirds vote of the Legislature or a fiscal emergency declaration by the Governor.

The constitutional amendment would exclude from the calculation of General Fund expenditures (1) bond payments, (2) spending on correctional rehabilitation programs, and (3) the costs of operating new prison facilities authorized under Chapter 7, Statutes of 2007 (AB 900, Solario). The amendment would also prohibit the state from releasing inmates from prison early in order to achieve the reductions in corrections spending required by the measure. However, it would provide new flexibility to CDCR to privatize prison services in order to achieve savings. (Prison privatization is an import policy issue that we do not

address in this brief, which is focused instead on the provisions related to state spending.)

Beginning in 2011-12, the amendment would require that any savings that are achieved in corrections spending be used to augment spending on UC and CSU. If such savings were insufficient to raise UC and CSU to their 10 percent share by 2014-15, the Legislature would be required to “apply other available resources” to achieve that goal. (“Other resources” include existing General Fund support going to other state departments and/or new tax revenues.)

RECOMMEND REJECTION OF PROPOSAL

We share the Governor’s desire to find ways to reduce costs in the state’s correctional system. In fact, we have recommended a wide range of actions to increase efficiencies in all sector of government, including corrections and higher education. However, we recommend rejection of this proposal for a variety of reasons discussed below.

Fails to Capture Higher Education Funding

The proposal’s spending requirements for UC and CSU relate only to General Fund support. This simplistic measure, however, in no way captures the state’s commitment to higher education spending. As noted above, the proposal would not factor in a key source of financing for the universities’ basic instructional program—student fee revenues. (In fact, the decline in their overall share of General Fund spending shown in Figure 1 has been largely offset by increases in student fee revenues.) Furthermore, the proposal excludes spending in California Community Colleges—a key component of state higher edu-

cation spending. Consequently, by setting up a “silo” for UC and CSU, the measure would make it more difficult for the state to effectively allocate funding even within the area of higher education.

Inappropriately Pits Two Program Areas Against Each Other

The state needs to support its university system and its prison system. Both provide valuable services to Californians. The administration’s proposal implicitly suggests there is a linkage of crucial budgetary significance between these two specific program areas. This is not, however, what budgeting is about. Each year, the Legislature must make decisions among *all* programs, choosing as best as possible where the commitment of resources would be most beneficial.

Constrains Effective Resource Allocation

Requires Arbitrary Share of State Funding for Universities. The proposed amendment would require a significant increase in state spending on its universities without any require-

ment that this funding be used to expand access to higher education, improve education outcomes, increase affordability, or to provide any public benefit at all. The measure would require billions of dollars in additional spending on UC and CSU without a clearly identified goal.

Arbitrarily Caps Share of Funding for Corrections. At the same time, this proposal would arbitrarily cap the share of state funding that could be dedicated to corrections. The 7 percent spending cap would be in place each year (unless suspended), irrespective of the cost pressures experienced by corrections. For example, one key cost pressure in corrections is the number of inmates—which in part is driven by the number and length of sentences handed down by the courts, which in turn depend in part upon state sentencing laws and prosecutorial behavior. In some years, it could be extremely difficult for the state to keep its spending on corrections under the prescribed limit without significant—perhaps radical—changes to the criminal justice system.

Potential Impact Beyond Corrections and Higher Education. The proposed amendment could affect budget areas beyond corrections and higher education. Locking up a tenth of the state budget on UC and CSU, in combination with similar funding guarantees already in place, would constrain spending choices for over half of the state budget. This could make it more difficult for the Legislature to shift funding to cover new cost demands in other areas that may be a legislative priority, such as social services, health care, the judiciary, or infrastructure.

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This report was prepared by Steve Boilard, with assistance from Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office which provides fiscal and policy information and advice to the Legislature.

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Amending Constitution Not Necessary

Even if it were desirable to shift funding between corrections and public universities, this can already be done without amending the state Constitution. In developing the state budget each year, the Governor and Legislature identify available resources (not just from the General Fund, but various other funding sources as well) and allocate these funds toward the highest priorities. If they wished, the Legislature and Governor could decide to dedicate less General Fund support to corrections. They could also choose to increase funding for higher education. The Governor's proposed 2010-11 budget illustrates this point. He has made higher education a funding priority, proposing General Fund augmentations to UC and CSU, while other areas of the budget—including corrections—would take significant cuts.

We recognize that some potential approaches for reducing costs in corrections might require changes to state statute, collective bargaining agreements, the Constitution, or other policies. This is not unusual; many of the General Fund solutions considered by the Legislature in recent years have required trailer bills or other vehicles in order to be implemented. But a constitutional provision imposing certain floors and ceilings on spending in different sectors would simply limit budget options, rather than permit new ones.

RECOMMEND REJECTION OF PROPOSAL

For the above reasons, we recommend the Legislature reject this proposal. It is an unnecessary, ill-conceived measure that would do serious harm to the budget process.