



CALIFORNIA PROBATION, PAROLE AND CORRECTIONAL ASSOCIATION

To: All CPPCA Members

From: Danielle Higgs, Legislative Representative, Danielle@warnerandpank.com

Date: January 10, 2013

Re: Governor Brown Releases Proposed January 2013-14 Budget

Governor Jerry Brown Jr. today proposed his January 2013-14 state budget which boosts investment in education, implements Federal health care reform and seeks to keep California on a long-term path to fiscal stability.

The Budget proposes a multiyear plan that is balanced, maintains a \$1 billion reserve, and pays down budgetary debt from past years. Overall General Fund spending is projected to grow by 5 percent, from \$93 billion in 2012-13 to \$97.7 billion in 2013-14. The vast majority of the spending growth is in education and health care.

With the tough spending cuts enacted over the past two years and new temporary revenues provided by the passage of Proposition 30, the state's budget is projected to remain balanced for the foreseeable future.

To create a \$1 billion reserve, the Budget proposes:

- Suspending four newly identified mandates. (\$104 million)
- Using 2012-13 funds appropriated above the Proposition 98 minimum guarantee to prepay obligations to schools under the *CTA v. Schwarzenegger* settlement. (\$172 million)
- Continuing the use of miscellaneous state highway account revenues to pay for transportation bond debt service. (\$67 million)
- Extending the hospital quality assurance fee. (\$310 million)
- Extending the gross premiums tax on Medi-Cal managed care plans. (\$364 million)

To view the budget document in its entirety, please see the link below:

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

Realignment

- No changes to realignment formulas, but we will continue to review details including future Department of Finance letters to be released in the coming days and weeks.
- The budget identifies better than projected revenue estimates which translates to more growth this year for all of the subaccounts protected under realignment. Growth dollars for 12-13 will be distributed in September of this year.
- You can view the detailed realignment funding chart and various subaccounts at: http://www.ebudget.ca.gov/pdf/GovernorsBudget/4000/5196_fig1f.pdf.

SB 678 Funding

- \$35.8 million -- No changes to the current formula
- There are ongoing discussions with the Administration and the Legislature about concerns regarding the current formula post realignment being able to support the original intent of the bill.

Revenue Estimates – Page 135

In addition to improving economic conditions, the passage of Proposition 30, The Schools and Local Public Safety Protection Act of 2012, and Proposition 39, The California Clean Energy Jobs Act, increased revenue since the 2012 Budget Act.

- Proposition 30 is estimated to increase Personal Income Tax revenues by \$3.2 billion in 2011-12, \$4.8 billion in 2012-13, and \$4.9 billion in 2013-14. It is estimated to increase Sales and Use Tax revenues by \$611 million in 2012-13 and \$1.3 billion in 2013-14.
- Proposition 39 is estimated to increase Corporation Tax revenue by \$440 million in 2012-13 and \$900 million in 2013-14.

California Department of Corrections and Rehabilitation (CDCR) – Page 73

The Budget proposes total funding of \$9 billion (\$8.7 billion General Fund and \$252 million other funds) for CDCR in 2013-14.

- **Three Judge Panel**
 - The three judge panel issued an order in October 2012 requiring the state to develop two plans to reduce the prison population to 137.5 percent of design capacity by June 27, 2013 and December 27, 2013. The State submitted the plans to the Court on January 7, 2013 and also submitted motions to vacate or modify the population reduction order and a motion to terminate the Coleman case. You can access all related documents at: http://www.cdcr.ca.gov/news/3_judge_panel_decision.html.
- **CDCR Blueprint**
 - The Administration continues to implement the Blueprint as approved by the Legislature last year, which includes key components such as reclassifying inmates based on the updated inmate classification system, improving access to rehabilitative programs, returning inmates housed in out-of-state contract facilities to California, standardizing staffing, and maintaining health care services.
- **Division of Juvenile Justice (DJJ)**
 - There are no changes proposed by the Governor.
 - The Division of Juvenile Justice's (DJJ) average daily ward population is projected to decrease by 120 in 2012-13, for a total population of 871 in 2012-13 and 913 in 2013-14.
 - Pursuant to Chapter 41, Statutes of 2012 (SB 1021), juvenile parole ended on January 1, 2013 and all juveniles remaining on parole as of December 31, 2012 were discharged. Savings resulting from the elimination of juvenile parole will be realized in the Division of Adult Parole Operations.
- **Population projections**
 - While the adult inmate population continues to decline as a result of Realignment, new admissions are currently trending higher than the 2012 Budget Act projections. The current year

adult inmate population is projected to exceed Budget Act projections by 2,262 inmates, a 1.7% increase, for a total population of 132,223. The budget year adult inmate population is projected to be 128,605, a 2.7% decrease of 3,618 inmates.

- The current projections also reflect a decrease in the parolee population of 4,052 in 2012-13 compared to Budget Act projections, for a total average daily population of 57,640. The parolee population is projected to be 42,958 in 2013-14, a decrease of 14,682.

Judicial Branch – Page 103

- **Reduction Offsets** - The Budget continues the practice of mitigating General Fund reductions through offsets and redirections of available resources. However, beginning in 2014-15, reserves and fund balances will mostly be exhausted, which will require trial courts to make permanent changes to achieve roughly \$200 million in savings needed to achieve structural balance.
 - The Budget uses a \$200 million transfer from the Immediate and Critical Needs Account to support trial court operations as the courts adapt to the new reserve policy. This transfer will delay additional courthouse construction projects up to one year, but will allow some of the most critical projects to continue, as determined by the Judicial Council.
- **Long Beach Courthouse** - An increase of \$34.8 million Immediate and Critical Needs Account in 2013-14 to fund the new Long Beach Courthouse service fee payment.
 - Trial Court Efficiencies - The Budget includes a range of statutory changes that will reduce workload through administrative efficiencies, increase user fees to support ongoing workload at the trial courts, and assist the Judicial Branch in effectively managing monthly trial court cash flow issues.

General Government – Page 119

- **Redevelopment**
 - Chapter 5, Statutes of 2011 (ABx1 26) eliminated the state's approximately 400 redevelopment agencies (RDAs).
 - In those areas that contained RDAs, it is estimated that over the current year and budget year, approximately \$1.6 billion will be distributed back to counties, \$1.2 billion will be distributed back to cities, and \$400 million will be distributed back to special districts.
 - The Budget includes Proposition 98 General Fund savings totaling \$2.1 billion in 2012-13 and \$1.1 billion in 2013-14. A portion of the savings generated is one-time and is generated from the distribution of unencumbered funds being held in various RDA funds and accounts.
- **State Mandates**
 - The Budget provides \$48.4 million for mandates that remain in effect.
 - The Budget proposes to suspend four mandates which reflect functions that the State believes local entities have inherent reasons to preserve without reimbursement from the General Fund. This results in a General Fund savings of \$103.8 million in 2013-14. *We will send additional details on the mandates included in this section as soon as we receive them.*
 - The Budget also proposes to suspend five mandates recently determined by the Commission on State Mandates to be reimbursable activities and are best practices that the State believes local agencies should be providing their citizens as a matter of course.
- **State Workforce**
 - The 2013-14 state workforce is estimated at 348,045.8 positions, of which 215,972.9 are in the Executive Branch, 750 are in the Legislative Branch, 2,001.9 are in the Judicial Branch, and 129,321 are in Higher Education. Between 2010-11 and 2012-13, state government shrank by more than 30,000 positions. The Budget reflects the growth of 6,279.9 positions, primarily in higher education.

- **Pensions**

- AB 340 established the Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA provides lower pension benefits and requires higher retirement ages for new employees in state and local government and schools hired after January 1, 2013. Additionally, state employees in designated bargaining units and associated excluded employees will make additional payroll contributions to their pension plans beginning July 1, 2013. Among other reforms, PEPRA eliminates pension spiking, limits post-retirement employment, and prohibits the purchase of non-qualified service credit (airtime).
- Pension contributions - An increase of \$95.2 million (\$48.7 million General Fund) in 2013-14 for pension contributions. The 2013-14 total includes an additional \$63.2 million (\$42.2 million General Fund) directed toward the state's unfunded pension liability to reflect the savings resulting from increased employee contributions under PEPRA.

Health and Human Services – Page 57

- **State Hospitals**

- The Budget includes \$1.6 billion (\$1.5 billion General Fund) in 2013-14 for support of DSH. The patient population is projected to reach a total of 6,560 in 2013-14.
- Stockton Activation and Bed Migration — An increase of \$100.9 million General Fund in 2013-14 to activate 514 beds at the California Health Care Facility (CHCF). The Budget does not include an adjustment for the transfer of inmate-patients from existing Psychiatric Programs at Salinas Valley State Prison and the California Medical Facility at Vacaville to the CHCF.
- Safety and Security — Upon the successful implementation of the personal duress alarm system (PDAS) upgrade at Napa State Hospital in November 2012, the PDAS project schedule was updated for Metropolitan and Patton State Hospitals. The revised schedule resulted in a reduction of \$5.6 million General Fund in 2013-14. The Budget maintains funding to continue the PDAS upgrade at Atascadero and Coalinga State Hospitals.
- Emerging Population Trends — The Budget includes \$20.1 million Reimbursements for the estimated increase in civil commitments. No adjustment is included in the Budget for pending commitments. DSH maintains wait lists of patients awaiting admission to its five hospitals and two psychiatric programs. Since June 30, 2012, the DSH has seen a steady increase in its wait list numbers for Incompetent to Stand Trial and Mentally Disordered Offender commitments. DSH will continue to monitor the pending commitments and, if necessary, develop options to address these wait lists.

- **Mental Health**

- Revenue from the Proposition 36 surcharge is transferred to the Mental Health Services Fund and used to fund mental health service programs. Annual revenues of \$1.3 billion for 2012-13, and \$1.2 billion for 2013-14 are projected.

Other Items

- Augmentation to support city law enforcement activities
 - Augmentation to increase funding to support city law enforcement activities to grow to \$24 and eventually \$27.5. The formula has not been set for 2013-14 and discussions will continue with the Administration and Department of Finance on the details of the specific allocations and formula.
 - 2013-14 allocations are proposed to be distributed through Department of Finance distribution formula rather than BSCC.