



To: CLEARS

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Subject: **Governor Newsom Releases 2020-21 Proposed Budget**

Today, Governor Newsom released his proposed 2020-21 state budget. The budget proposes approximately \$153.1 billion in General Fund (GF) spending and \$222.2 billion in total spending, with a surplus of approximately \$5.6 billion. Much of this surplus is dedicated to building reserves, paying down debt, and one-time and ongoing spending.

The Budget notes that “Now in its eleventh year, the nation’s economic expansion marks the longest period of sustained growth since World War II. However, this expansion is occurring in the context of slowing global growth and growing uncertainty regarding the political climate and federal policies. State revenue growth is projected to be slower in each of the next four years compared to 2019-20, constraining new spending commitments.”

The Governor continues “The state is prepared for an economic downturn with reserves of \$21 billion. Even with these reserves, managing a recession will be challenging, as even a moderate recession could result in revenue declines of nearly \$70 billion and a budget deficit of over \$40 billion over three years.”

Finally, the budget summary provides “Building on the 2019 Budget Act, the Budget continues to build reserves and promotes a more effective government that can withstand a downturn in the economy, as well as emergencies and disasters. It squarely addresses the affordability crisis that too many Californians experience and continues unprecedented investments in promoting opportunity. The Budget continues to reflect the principle that maintaining a balanced budget and strong budget resiliency is non-negotiable and a necessary predicate for expanding programs, especially with the growing risks facing the state.”

It is important to note that funds for Public Safety Realignment continue to increase, including direct subventions to law enforcement agencies. Crucial law enforcement programs like COPS

and Rural Sheriffs are fully funded and constitutionally protected and there is more than \$370 million predicted to be available for realignment growth funding for law enforcement services for the budget year.

The final budget is due to the Governor by June 15 and must be signed into law by July 1, 2020.

The Governor's budget summary can be accessed here:

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

LOCAL JAIL OVERSIGHT

The Administration proposes to strengthen the state's oversight of county jails. The Board of State and Community Corrections (BSCC) will more actively engage counties regarding deficiencies identified as part of its inspections through its public board meeting process and by more frequent follow-up inspections. The BSCC will also provide additional technical assistance to those counties where issues are identified. Also, as part of the Title 15 jail standards review, the BSCC will make sure the standards are consistent with national best practices.

REALIGNMENT

Realignment Base Funding

The budget assumes funding for the AB 109 Community Corrections Subaccount of \$1.366 billion for 2019-20 and \$1.459 billion for 2020-21. Additionally, projected funding in the Law Enforcement Activities Account is \$489.9 million for 2019-20 as well as 2020-21 (this base number is fixed). Finally, projected funding for the Trial Court Security Subaccount is \$567 million in 2019-20 and \$579.3 million in 2020-21.

Realignment Growth Funding

The budget anticipates that the growth in the AB 109 Community Corrections Subaccount is \$92.6 million for 2019-20 and \$83.6 million for 2020-21. Additionally, projected growth in the Law Enforcement Activities Account is \$257.4 million for 2019-20 and \$259.1 million for 2020-21. Finally, projected growth for the Trial Court Security Subaccount is \$12.3 million for 2019-20 and \$11.2 million for 2020-21.

All told, the budget predicts \$380.8 million in growth funding to law enforcement services pursuant to realignment in 2019-20 and \$370.7 million in 2020-21. You will note that these figures are projected (subject to change) and dependent upon the actual collection of sales tax and vehicle license fees. For this reason, growth funds are not actually distributed until the fall subsequent to the close of the fiscal year. For example, 2019-20 growth will not actually be paid until October or November of 2020.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING (POST)

Because of the decline in revenues from fines, fees, and penalty assessments, the solvency of the State Penalty Fund (which funds POST) continues to be in jeopardy. In order to address ongoing SPF shortfalls, the budget maintains last year's increase of \$14.9 million to POST to restore

peace officer training funding to historic levels. Additionally, the budget continues the additional \$20 million to fund de-escalation, use of force, and mental health crisis training.

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION (CDCR)

The budget proposes total funding of \$13.4 billion for the California Department of Corrections and Rehabilitation (CDCR) in 2020-21, including \$3.6 billion for health care services.

Prison Capacity

Given the Administration's projected continued decline in the inmate population throughout 2019-20 and 2020-21, the Budget reflects ending all private in-state contract correctional facilities for male inmates by April 2020. Moreover, the Budget reflects phasing out two of the remaining three male, public in-state contract correctional facilities by 2021, and the third is projected to be closed no later than July 2022. CDCR projects that the population will decline by approximately 4,300 inmates between June 2021 and June 2024. If these population trends hold, the Administration will close a state-operated prison within the next five years.

Adult Probation Proposal

According to the Budget, the vast majority of offenders on probation for misdemeanor crimes are currently on banked caseloads, meaning they are not actively engaged in services and programs provided by probation. The Administration asserts that this lack of engagement creates churning in the criminal justice system where lower-level offenders do not receive the services and supervision they need to end the cycle of crime. This budget proposal seeks to do more to align existing evidence-based practices used with the felony probation population to the misdemeanor population, with a focus on supervision and services based on risk and needs assessments, and less on the singular factor of the offense category. The Budget includes \$60 million annually for three years and \$30 million in 2023-24, to supervise and provide probation services for misdemeanants, with the aim of improving public safety by reducing recidivism of these individuals. The Budget also reduces felony and misdemeanor probation terms to two years, and allows for earned discharge for probationers.

Juvenile Justice Reorganization

The 2019 Budget included resources to begin the transition of the Division of Juvenile Justice (DJJ) from CDCR to the new Department of Youth and Community Restoration, within the California Health and Human Services Agency, effective July 1, 2020. The Budget transfers \$264.3 million and 1,303.9 positions from CDCR to reflect the transition of the Division of Juvenile Justice to the Department of Youth and Community Restoration.

Rehabilitation and Re-Entry

The Budget includes \$26.9 million in 2020-21, eventually declining to \$18 million ongoing to provide increased access to modern technology for inmates participating in academic and vocational training to better prepare inmates for reentry.

To further assist inmates with finding gainful employment and prepare them to enter the workforce, CDCR is expanding post-secondary educational opportunities to inmates who have completed an associate's degree. The Budget includes \$1.8 million in 2020-21, and \$3.5 million

ongoing for tuition, books, materials, training, and equipment for students participating in the program.

The Budget also includes \$4.6 million ongoing to add an additional visitation day at nine institutions.

Infrastructure

Failing prison roofs have resulted in damage to electrical systems and housing units, and interruptions in rehabilitation and education programs, and mental health treatment. The Budget includes \$78.2 million over two years for roof replacement projects, including design funding at Pelican Bay State Prison and California State Prison, Sacramento. This is part of a broad, multi-year plan to replace aging and deteriorating roofs across the state prison system. To date, ten institutions have received one-time funding for major roof replacement and repair projects. With funding for these 2 prisons, 15 remaining institutions are scheduled for future roof replacement and repair projects over the next 6 years.

Existing health care facilities at the California Rehabilitation Center are located in buildings approaching 75 years old that do not have adequate storage for medication and medical supplies, which restricts workflow and makes it difficult to maintain inmate-patient privacy. The Budget includes \$5.9 million to replace damaged flooring, walls, wall-mounted air conditioning units, counters, and storage spaces in existing health care treatment areas. This project will also replace existing medication distribution windows with newer windows that are consistent with current standards and will allow for improved medication distribution. The California Rehabilitation Center is one of the older facilities in the state prison system. These upgrades are necessary to maintain this facility, which is better situated to recruit staff, including health care staff.

CDCR is currently engaged in a multifaceted effort to prevent inmate suicides, consistent with a federal court mandate to improve the safety of its facilities, particularly for inmates experiencing mental health crises. One element in this effort is the modification of physical infrastructure to reduce the opportunity for inmates to commit suicide. To further this effort, the Budget includes \$3.8 million to retrofit 64 intake cells across the state to provide a safer environment for inmates entering segregated housing.

In recent years, CDCR has expanded its use of video surveillance in adult institutions to deter violence and other prohibited activities such as the distribution of contraband. In addition, video evidence has been a critical tool for investigating inmate violence and staff misconduct allegations. Recognizing the important role video surveillance plays in increasing institutional security, the Budget includes \$21.6 million in 2020-21 and \$2.1 million ongoing to expand video surveillance capabilities at Richard J. Donovan Correctional Facility, Salinas Valley State Prison, and California Institution for Women.

Inmate Medical Care

The Budget includes \$722,000 ongoing to support an electronic health care data exchange process to transfer health records to counties for inmates who are transitioning to county custody or the community. The timely sharing of electronic medical records will improve patient outcomes by allowing for enhanced continuity of care as inmates transition from prison.

The Budget includes \$5.9 million in 2020-21, increasing to \$8.4 million ongoing by 2024-25, to support expansion of telepsychiatry, which uses secure videoconferencing to increase inmate access to mental health care services. The Budget also includes \$1.4 million ongoing for contract psychiatry services to meet the federal court order to fill at least 90% of the state prison system's psychiatry positions.

State Savings from Proposition 47

As part of Proposition 47, the Department of Finance is required to calculate the state savings created by the implementation of the measure. That money is then distributed pursuant to a formula contained in Prop 47 – 25% to the Department of Education to administer a grant program to public agencies to reduce truancy and support students who are at risk of dropping out or are crime victims; 10% to the Victim Compensation and Government Claims Board to make grants to trauma recovery centers; and 65% to the Board of State and Community Corrections (BSCC) to administer a grant program to public agencies aimed at supporting mental health treatment, substance abuse treatment, and diversion programs for people in the criminal justice system. The Department of Finance has estimated that Prop 47 will result in net state savings of \$122.5 million for 2020-21. The estimate assumes savings from a reduction in the state prison population, fewer felony filings, and releases from DSH, which are offset by increased costs from a higher parole population and workload stemming from resentencing proceedings.

HEALTH AND HUMAN SERVICES

Department of State Hospitals

The budget includes \$2.2 billion in 2020-21 to support the Department of State Hospitals (DSH), which administers the state mental hospital system, forensic mental health commitments (sexually violent predators and mentally disordered offenders), and the treatment of other committed patients. The patient count at DSH is projected to grow to 6,761 in the budget year.

Competency Restoration

Over the past several years, DSH has activated hundreds of new inpatient beds, and authorized more than 200 jail-based competency restoration beds, to address the backlog of defendants found incompetent to stand trial (IST). Despite this work, the list of patients awaiting admission to a state hospital stands at approximately 800 as of December 2019. We continue to work with the Administration to address this vexing issue.

To work on this issue, the Budget includes \$24.6 million in 2020-21 to implement a “Community Care Collaborative Pilot Program.” This initiative will establish a six-year pilot program in three counties that provides incentives to treat and serve individuals deemed IST in the community. The budget reports that the total costs of the pilot program over six years is estimated to be \$364.2 million. This pilot program will “primarily target development of community-based treatment options for individuals deemed IST and increase local investments in strategies to reduce the rate of arrests, rearrests, and cycling in and out of institutions for this population.”

Additionally, the budget includes \$8.9 million in 2020-21 and \$11.2 million annually ongoing for 63 more beds in jail-based competency treatment programs in eight (unnamed) counties.

Mental Health Services Act (Proposition 63)

The voter-approved Mental Health Services Act (MHSA) imposes a 1% tax on personal income in excess of \$1 million. Revenue generated under the MHSA primarily supports county mental health services. In 2018, audits determined there was insufficient action taken by the state to ensure that unspent MHSA funds were being recovered and reallocated under the statutory time frames. State law was enacted that established a methodology for determining prudent county reserves of MHSA funds. Because of the change in methodology, it is estimated that counties currently have slightly more than \$500 million in local reserves, of which \$161 million must be shifted to mental health prevention and treatment services by June 30, 2020.

The MHSA has become a foundational element of California's mental health system in the 15 years since Proposition 63 was enacted. The budget argues that communities' behavioral health needs "have evolved during that time and the [MHSA] should be updated to reflect this knowledge." Currently, MHSA funds cannot be used for substance use disorder treatment. The budget asserts that the MHSA should be updated to "better focus on people with mental illness who are also experiencing homelessness, who are involved in the criminal justice system, and for early intervention for youth." The Administration will submit a proposal in the spring regarding this proposed reform.

JUDICIAL BRANCH

Fines and Fees

The Budget includes \$11.5 million in 2020-21, increasing to \$56 million ongoing by 2023-24, to expand the fine and fee ability to pay program statewide and incorporate both traffic and non-traffic infractions. The ongoing costs include \$2 million to implement an online application system and \$54 million to backfill the estimated loss in revenue to support trial court operations as a result of the penalty reductions. The Judicial Council will implement this program on a phased schedule, with several courts joining each year.

DEPARTMENT OF JUSTICE

Bureau of Firearms

DOJ currently tracks firearms using 11 information technology systems that are antiquated, costly to update, and inefficient at gathering data. New firearms policies and reporting requirements are difficult to implement given the disconnected structure of these systems. The Budget includes \$2.4 million from the Dealers' Record of Sale (DROS) Special Account to begin the planning and analysis phase of combining and modernizing the 11 existing firearms tracking systems. Modernizing these systems will enable DOJ to respond to changing business needs and legislative mandates efficiently and in a cost-effective manner.

Bureau of Forensic Services

The budget provides \$32 million to backfill the continued decline in fine and fee revenues in the DNA Identification Fund, thereby enabling DOJ to continue processing forensic evidence for

client counties. The Budget also includes \$7.3 million ongoing to establish a replacement schedule to regularly maintain and replace forensic laboratory equipment, and to perform maintenance of state-owned laboratories.

CLETS

The Budget includes \$2.8 million in 2020-21, \$3.3 million in 2021-22, and \$2.9 million annually thereafter to conduct investigations and audits to monitor compliance with AB 1747, which limits the use of CLETS for immigration enforcement purposes.

Criminal Records

The Budget includes \$3.6 million in 2020-21, declining to \$1.9 million annually in 2023-24, to review records in statewide criminal justice databases to identify persons eligible to have their arrest or criminal conviction records withheld from disclosure and modify existing systems to grant such relief automatically pursuant to 2019's AB 1076.

OTHER ITEMS

Homelessness

The Budget includes \$750 million to establish the California Access to Housing and Services Fund that will be administered by the state's Department of Social Services. The primary goals of the proposed Fund are to reduce homelessness by moving individuals and families into stable housing, and to increase the number of units available as a stable housing option for individuals and families who are homeless or at risk of becoming homeless. The Fund will flow through performance-based contracts between the state and regional administrators and will be subject to a 10% administrative cap. Regional administrators will provide short- and long-term rental subsidies, make small and medium-sized contributions to encourage development of new units in exchange for a rental credit, and stabilize board and care facilities by funding capital projects and/or operating subsidies. The Fund will also be used to engage with landlords to secure units and negotiate individual client leases, provide tenancy support services, and coordinate case management with counties for those receiving rental subsidies to ensure they are enrolled in eligible public assistance programs. To the extent feasible, state funding will be coupled with the use of state properties to expedite the development of more affordable and supportive housing.

In early January 2020, the Governor issued an executive order to take urgent actions to provide additional state aid to support local governments in addressing this crisis. The state will deploy state assets to specific counties, in partnership with philanthropy, to augment local shelter capacity. The Administration will also send out multi-agency strike teams to assist cities and counties in moving individuals from encampments into shelters and connecting them to services. The Administration is also partnering with local researchers to direct a study to better understand the root causes of the state's homelessness crisis.

Victim Services

The Budget includes \$23.5 million to backfill declining fine and fee revenues in the Restitution Fund, allowing the Victim Compensation Board to continue operating at its current resource level. The Budget also includes \$476,000 in 2020-21 and \$448,000 annually thereafter for DOJ to provide legal services to victims. Finally, the spending plan includes \$354,000 ongoing to

locate and notify affected victims of their rights during parole hearings, and to disburse restitution payments to eligible individuals.

Post Release Community Supervision

The spending plan provides \$13.8 million to county probation departments to supervise the temporary increase in the average daily population of offenders on PRCS due to Prop 57.

Maintaining Fiscal Stability For Boating Programs

The primary fund that supports boating-related activities, the Harbors and Watercraft Revolving Fund, has become structurally imbalanced over the course of several years. The Administration will explore options including, but not limited to, revenue increases and program expenditure reductions to best support the continuation of boating programs. The Administration will put forward a proposal later this year.

SB 678

The budget proposes \$124.8 million via formula to county probation departments to continue the Community Corrections Performance Incentive Grant program, which is designed to reduce the number of felony probationers sent to prison.

Cannabis

In an effort to improve access to licensing and simplify regulatory oversight of commercial cannabis activity, the Administration plans to consolidate the three licensing entities into a single Department of Cannabis Control by July 2021. Establishing a stand-alone department with dedicated enforcement will centralize and align regulatory functions to “build a successful legal cannabis market, and create a single point of contact for cannabis licensees and local governments.” The Administration will submit more details on this proposal in spring 2020.

The cannabis excise tax is forecast to generate \$479 million in 2019-20 and \$550 million in 2020-21. The budget points out that “In the near term, revenue estimates will be subject to significant uncertainty because the market has only recently been established.”