

SUBCOMMITTEE NO. 5

Agenda

Senator Loni Hancock, Chair
Senator Joel Anderson
Senator Lois Wolk



Thursday, February 3, 2011
10:00 a.m. (or upon adjournment)
Room 113

Consultant: Brian Brown

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Department of Justice (0820)

Departmental Overview. The Attorney General is the chief law officer of the state and has the responsibility to see that the laws of California are uniformly and adequately enforced. This mission is fulfilled through the diverse mission of the Department of Justice (DOJ).

The DOJ is responsible for providing legal services on behalf of the people of California. The Attorney General represents the people in all matters before the Appellate and Supreme Courts of California and the United States; serves as legal counsel to state officers, boards, commissions, and departments; represents the people in actions to protect the environment and to enforce consumer, antitrust, and civil rights laws; and assists county district attorneys in the administration of justice.

The DOJ also coordinates efforts to address the statewide narcotic enforcement problem; assists local law enforcement in the investigation and analysis of crimes; provides person and property identification and information systems to criminal justice agencies; supports the telecommunications and data processing needs of the California criminal justice community; and pursues projects designed to protect the people of California from fraudulent, unfair, and illegal activities.

Budget Overview. The 2011-12 budget proposal provides \$776 million for DOJ. This is an increase of \$51 million over projected expenditures for the current year. The Governor's proposed budget includes about \$255 million in General Fund support for DOJ. The department is funded for 4,997 positions, the same level as the current year.

Issue 1 – DOJ Billable Services Conversion

Background. The DOJ represents state departments in various court matters. Under current law, Special Fund departments reimburse DOJ for legal work on a billable hours basis. These payments are deposited into DOJ's Legal Services Revolving Fund (LSRF).

General Fund (GF) departments, however, do not pay DOJ for legal representation. Instead, DOJ has its own GF appropriation of \$53.9 million in 2010-11 with which it funds this legal work. With this appropriation, DOJ has a team of legal staff with which to represent GF client departments. In recent years, the amount of GF workload on DOJ attorneys has been higher than they can absorb with existing resources, including the use of overtime. Therefore, the Attorney General has sometimes been directing GF departments to obtain outside counsel, sometimes at greater hourly cost than what DOJ charges to its billable clients.

Proposal. The DOJ requests authority to bill General Fund clients for legal work as it does for Special Fund clients. In order to accomplish, the Governor's budget includes a number of technical changes. Those changes are as follows:

- Reduces DOJ's GF authority by \$50.1 million.
- Allocates \$55.6 million GF authority to eleven other state departments with which to reimburse DOJ for legal representation. (Note that there is also a \$2.2 million GF request in the Department of Mental Health that is separate from this request.)
- Includes budget bill language that allows DOJ to retain a pool of \$1.5 million GF that would be transferred to the LSRF for legal workload on behalf of state departments that historically have driven only a small amount of legal workload each.
- Includes budget bill language that retains \$3.1 million GF that would be transferred to the LSRF for the representation of public rights division clients that historically have used more than 1,000 hours of legal workload.
- Increases DOJ's LSRF by \$60.8 million to provide the additional budget authority necessary to accept the reimbursements from other state departments, as well as for the amount retained for the public rights division clients.
- Proposes trailer bill language to eliminate the current law restriction on billing GF clients, as well as makes other technical changes related to how the Controller transfers funds for this purpose and how billing disputes are resolved.

These changes will allow DOJ to begin billing GF departments for its legal work. In so doing, DOJ's legal staff will not be required to absorb workload in excess of their

existing staffing levels. Instead, client departments will have to reimburse DOJ for the amount of legal workload sent to DOJ. To the extent that departments send more legal workload than they have historically, DOJ can use the higher reimbursement level to hire more legal staff.

For each of the eleven General Fund clients which are receiving GF allocations under the Governor’s budget proposal, the table below shows the number of hours of legal representation they received in 2009-10 and their 2010-11 GF allocation. The Department of Finance adjusted some department allocations to account for the likelihood that some of the legal workload could be billed to Special Funds within those departments. Also, while the figure below shows CDCR’s actual hours for 2009-10, the Department of Finance calculated CDCR’s share of the costs based on its 2008-09 hours, discounted by 15 percent based on an assumption that CDCR could achieve some efficiencies. CDCR’s hours and costs also include those historically associated with Governor’s Office legal workload associated with reviewing parole decisions.

Proposed Billable GF Hours and Allocations by Client
(Dollars in millions)

	Department	Hours	Costs
1	Corrections and Rehabilitation ¹	270,736	\$45.9
2	Franchise Tax Board	19,585	3.2
3	Forestry and Fire Protection	17,415	2.8
4	Board of Equalization	12,082	2.0
5	State Water Resources Control Board	10,895	0.3
6	State Controller’s Office	5,829	0.3
7	Parks and Recreation	5,471	0.3
8	Finance	3,811	0.3
9	Secretary of State	1,680	0.1
10	Fair Employment and Housing	1,612	0.3
11	Developmental Services	1,182	0.1
	Total, All Departments²	401,931	\$55.6

1. Hours for CDCR include Governor’s office work related to Board of Parole Hearings issues.
2. Does not include current-year and budget-year adjustments to Department of Mental Health.

Since releasing the budget proposal, the administration has notified staff of a couple of requested changes to their proposal. The requested changes are the following:

- To increase the LSRF augmentation by \$1.5 million to account for the amount that will be transferred for the GF departments with historically small legal workload. This adjustment was inadvertently left out. This adjustment has no GF impact.
- To remove the proposed budget bill language designating \$3.1 million to be transferred on behalf of public rights division clients with workload in excess of 1,000 hours. This is to keep these departments as direct GF clients of DOJ.

This change will have no GF impact but does require that a reduction of \$3.1 million be made to the LSRF.

Staff Comments. The concept of making General Fund departments pay DOJ for its legal services has merit. Making client departments bear the cost of litigation could provide them with fiscal incentives that they do not have currently to consider the full costs associated with litigation. This may be particularly true for departments that face a lot of litigation and should probably weigh the relative strengths of different cases before they decide which to litigate and which to settle, for example.

In addition, moving General Fund clients to a billable system, each with its own General Fund appropriation for legal costs, would mean that these legal costs would be reflected in the budget of the client department, rather than in DOJ's budget. This is probably a more accurate and transparent budgeting approach and would further mean that departments would have to come to the Legislature directly if they required additional resources for new legal cases that might arrive. This, in turn, would give the Legislature an opportunity to decide if those litigation costs are a high enough priority to fund.

While the proposal has merit, an area of concern is that the proposal results in a net increase in General Fund authority of \$5.5 million. This is because the amount of General Fund authority being allocated to client departments is that amount greater than the reduction in DOJ's current GF authority. This discrepancy reflects the difference between DOJ's actual historical workload and the department's actual historical level of funding. Based on its current billing rate, DOJ has been absorbing about \$5.5 million of workload, generally by having staff work overtime. While it is true that DOJ has been forced to absorb more workload than it has been budgeted, it is unclear if the General Fund can accommodate an augmentation during these fiscal times.

Options to reduce the overall GF augmentation would be to reduce the amount of GF allocated to all or some departments or to direct DOJ to change the billing rates that it charges to client agencies. A reduction to the GF allocations to client agencies' budgets could be done proportionately which would amount to roughly 10 percent each.

The LAO also raises concerns with the \$5.5 million GF augmentation and recommends reducing CDCR's GF allocation by that amount. According to the LAO, this would reflect approximately a 10 percent decrease compared to the amount of workload sent by the department to DOJ in 2009-10. This reduction would reflect the achievement of greater efficiencies in how CDCR chooses to allocate workload to DOJ, one of the proposed intentions of this proposal.

Key Questions for Legislative Consideration. In reviewing this proposal, the committee may wish to consider the following questions.

- What options are there to reduce the net General Fund augmentation of \$5.5 million? Would it be appropriate to reduce the amounts allocated to client departments by that amount? If so, should the reduction be applied proportionately across all departments?
- Alternatively, should DOJ reduce their billable rates to bring costs in line with historical costs?

Staff Recommendation. Approve proposal with the following modifications from what is in the Governor's budget:

- Reduce CDCR's GF augmentation by \$5.5 million so that this proposal has no net costs to the General Fund (action to 5225-005-0001).
- Remove proposed budget bill language designating \$3.1 million for public rights division clients, at the request of DOJ.
- Reduce the LSRF augmentation by a net of \$7.1 million to account for (1) inadvertently not including the small client workloads, (2) removal of public rights division clients from billable, and (3) the \$5.5 million GF reduction.

CA Department of Corrections and Rehabilitation (5225)

Departmental Overview. Effective July 1, 2005, the California Department of Corrections and Rehabilitation (CDCR) was created pursuant to the Governor's Reorganization Plan 1 of 2005 and Chapter 10, Statutes of 2005 (SB 737, Romero). All departments that previously reported to the Youth and Adult Correctional Agency (YACA) were consolidated into CDCR and include YACA, the California Department of Corrections, Youth Authority, Board of Corrections, Board of Prison Terms, and the Commission on Correctional Peace Officers' Standards and Training.

According to the department's website, its mission is to "enhance public safety through the safe and secure incarceration of offenders, effective parole supervision, and rehabilitative strategies to successfully reintegrate offenders into our communities."

The CDCR is responsible for the incarceration, training, education, and care of adult felons and nonfelon narcotic addicts, as well as juvenile offenders. The CDCR also supervises and treats adult and juvenile parolees, and is responsible for the apprehension and reincarceration of those parolees who commit new offenses or parole violations. The department also sets minimum standards for the operation of local detention facilities and selection and training of law enforcement personnel, as well as provides local assistance in the form of grants to local governments for crime prevention and reduction programs.

The department operates 33 adult prisons, including 12 reception centers, a central medical facility, a treatment center for narcotic addicts under civil commitment, and a substance abuse facility for incarcerated felons. The CDCR also operates five juvenile correctional facilities, including two reception centers. In addition, CDCR operates dozens of adult and juvenile conservation camps, the Richard A. McGee Correctional Training Center, and nearly 200 parole offices, as well as contracts to house inmates in several in-state and out-of-state correctional facilities.

Budget Overview. The Governor proposes a CDCR budget of \$9.3 billion, of which \$9.1 billion is General Fund. General Fund spending is proposed to be a slight decrease - \$7 million – compared to the current year projected expenditure level. Note, however, that this proposed funding level does not fully account for the budgetary impact of the Governor's realignment proposals which are currently being considered by the Legislature. In total, about \$8.1 billion of the CDCR budget is for operation of the state prisons with the remaining funding adult parole, juvenile justice, the Board of Parole Hearings, the Corrections Standards Authority, and department administration.

Issue 1 – Population Request

Background. As part of the Governor’s budget each year, as well as part of the May Revision, the Governor proposes adjustments to CDCR’s budget based on projected changes in the department’s caseloads. This includes adjustments based on costs associated with changes in the inmate, parole, and juvenile populations supervised by CDCR. It also includes budget revisions based on associated workload changes associated with or population-related workloads, including parole revocations, mentally ill inmates, contracted beds, and local assistance to reimburse jails for housing parole violators.

Proposal. The Governor’s 2011-12 Budget includes an augmentation of \$360.8 million for 2011-12. This request is almost entirely General Fund.

The budget is based on an assumption that the inmate population will average 163,681 in the budget year, and the adult parole population will be 104,779. The budget assumes that the juvenile facility population will be 1,269 at the end of the budget year, and the juvenile parole population will be 1,464. Each of these projections reflects as reduction as compared to what was assumed in the 2010-11 Budget Act. None of these projections take into account the impact of the Governor’s realignment proposals which are accounted for separately.

The table below summarizes the Governor’s population caseload budget request by category for 2011-12, as well as shows the projected decrease for each population group supervised by the department. The table also shows those same projected adjustments for 2010-11.

Major Components of CDCR’s Population Request

(Dollars in millions)

Category	2010-11	2011-12
Adult Prisons	-\$13.8	-\$4.8
<i>Projected population change</i>	<i>-118</i>	<i>-529</i>
General population	7.3	-11.9
Stark closure	-15.3	0.0
CCF closures	-10.0	-10.0
Out-of-state beds	-2.7	0.0
Mental health staffing	5.7	15.9
Miscellaneous adjustments	1.1	1.3
Adult Parole and Revocations	\$60.9	\$134.9
<i>Projected population change</i>	<i>-4,312</i>	<i>-12,053</i>
Parole population	55.5	41.2
Mental health	-0.3	0.4

Family Foundation	-0.4	-0.8
Leased jail beds	-0.5	0.0
Local assistance	0.0	88.9
Revocation workload	6.7	5.3
Juvenile Justice	-\$9.9	-\$29.6
<i>Projected population change</i>	<i>-95</i>	<i>-130</i>
DJJ facilities	-9.6	-29.3
DJJ parole	-0.3	-0.3
Miscellaneous Adjustments	\$261.1	\$261.1
Unallocated reversal	200.0	200.0
SB 678	30.0	30.0
Parole reentry courts	10.0	10.0
Alternative sanctions	21.1	21.1
Totals	\$298.6	\$360.8

Staff Comments. In most years, the budget committee would wait until the May Revision before taking any actions on the population request. This is because the department frequently uses the May Revision to make necessary corrections, as well as additional adjustments based on updated population projections. However, given efforts to reach an early budget this year, the committee may want to consider whether it makes sense to make any adjustments it believes necessary now rather than waiting until after the May Revision, particularly on any large savings adjustments that might allow the preservation of programs elsewhere in the state budget.

In reviewing the population budget request, staff notes the following areas of questions or concerns:

- **Adult Prison – General Adjustment (-\$11.9 million).** The administration’s proposal assumes a budget-year inmate population of 163,681. The actual population as of December 31, 2010 was 162,821 (a difference of 860) and has been declining consistently for over a year. It is not possible to say with any certainty that the population will continue to decline, but if the budget were to assume that the inmate population stayed at its current level next year, this would result in about \$20 million in additional savings. Staff would not recommend making an adjustment to this issue at this time. It is better to make this adjustment in May Revision with several more months of actual data.
- **Mental Health Staffing (\$12.5 million).** The budget includes \$12.5 million for additional clinical staffing based on projections of the mentally ill inmate population. This projection is based on both projections of the total inmate

population, as well as the prevalence of mentally ill inmates within the total inmate population. Staff has requested and is still awaiting backup information on how the department calculated this request. The prevalence of mental illness has been steadily increasing in the inmate population in recent years. However, the overall projected decline in the prison population could largely offset that trend.

- **Parole Population (\$41.2 million).** The department's population projections assume that the parole population will decline by 12,053 parolees. Despite the decrease in population, the administration is requesting an increase in funding. This appears to be related to updated projections of fewer parolees being placed on non-revocable parole and instead being placed on active caseloads. Staff would not recommend making any adjustments to this component of the population request at this time. It will be updated as part of the May Revision when projections will be more current.
- **Local Assistance (\$88.9 million).** The department requests \$88.9 million for local assistance payments to counties as repayment for costs to house parole violators in county jails while they await revocation hearings. The amount requested would fund 2009-10 local assistance costs, as well as any backlog of payments from prior years. Staff has requested and is still awaiting backup information on how the new request was calculated and what is driving these costs which appear as though they may be higher than prior year levels. *(Note: the Department of Finance has notified staff that the \$88.9 million figure was an error in the department's backup documents. The state budget reflects the correct estimated costs of \$49.3 million.)*
- **Parole Reentry Courts (\$10 million).** In the 2009-10 Budget Act, the Legislature approved an allocation of \$10 million from federal stimulus (American Recovery and Reinvestment Act – ARRA) funds to create pilot reentry courts for parolees. These programs were designed to provide an alternative approach for managing parole violators, similar to drug or mental health courts. The budget previously included an estimated savings of \$10 million for this program. The Governor's budget removes this savings estimate based on the assumption that any impact of this program on the parole violator population would already be accounted for in the underlying population trends reflected in the department's population projections. However, the programs are only now beginning to be implemented in the field. Therefore, program impacts could not yet be in trend. The committee may want to remove this augmentation to account for the projected impact of this evidence-based pilot program.
- **Alternative Sanctions (\$21.1 million).** The budget includes an augmentation of \$21 million associated with the implementation of GPS supervision for parole violators. Funding was added for this program in the 2009-10 budget because it was believed that it would provide a useful alternative sanction tool that would result in net savings by keeping parole violators out of state prison. This proposal reverses the level of assumed savings based on the assumption that any impact on the number of parole violators is now accounted for in the

department's population projections. In other words, this reversal removes the possibility of double-counting savings associated with this activity. Staff has requested and is still awaiting additional backup information from the department on how this augmentation was calculated. It is unclear whether this proposal results in savings as originally budgeted.

Key Questions for Legislative Consideration. In reviewing this proposal, the committee may wish to consider the following questions.

- Does the committee wish to make adjustments to the population budget request at this stage of the process, or would it be more appropriate to wait until after the May Revision when the administration will release its own adjustments?
- What, if any, reductions should the committee make to this budget request based on the staff comments made above, as well as any recommendations by the LAO?

Staff Recommendation. Hold open. Direct the department and the Department of Finance to work with committee staff and the LAO to address the staff comments and committee questions with the intention of making any necessary adjustments in the May Revision.

Issue 2 – CIW CTC Activation

Background. Utilizing funding authorized under AB 900 (Solorio, Chapter 7, Statutes of 2007), the department is currently constructing a Correctional Treatment Center (CTC) at the California Institution for Women (CIW). CTC facilities provide both acute and intermediate level of care mental health treatment programs for inmate-patients. The project at CIW will add 45 licensed clinical beds to an existing 18-bed CTC, for a total of 63 CTC beds.

The table below provides a list of the different mental health classifications in CDCR that require specialized housing, including the number of inmates meeting those classifications, as well as the number of beds and wait lists for those beds.

CDCR Mental Health Services Delivery System

(As of January 10, 2011)

Category	Inmates	Capacity	Wait List
Enhanced Outpatient Program (EOP)	4,881	4,269	154
Psychiatric Services Unit (PSU)	367	394	121
Mental Health Crisis Beds (MHCB)	340	373	17
Intermediate Care Facilities (ICF)	606	732	375

Proposal. The Governor's budget requests a total of \$1.5 million General Fund and 11.6 positions in 2010-11 and \$10.1 million General Fund and 106.4 positions in 2011-12 (growing to \$12.5 million and 135.4 positions in 2012-13) to provide staffing required for a this 45-bed inpatient accredited facility, as well as seek accreditation for the facility. The request is summarized in the table below.

CIW Correctional Treatment Center Budget Request

Fiscal Year	CTC Activation	Accreditation	Totals
2010-11	\$905,000	\$597,000	\$1,502,000
2011-12	\$8,909,000	\$1,195,000	\$10,104,000
2012-13	\$11,314,000	\$1,195,000	\$12,509,000

The 45-bed CTC at CIW is scheduled for completion in December 2011. In order to comply with the *Coleman* Court Order, new staff is proposed to be hired by mid-October 2011, at least three months prior to the required licensing survey conducted by the Department of Public Health (DPH). The facility must pass this initial licensing inspection prior to the housing of inmate-patients in the facility.

Typically, the Department of Mental Health (DMH) operates CTCs in California's prisons. However, the department has determined that it intends to begin managing and operating its CTCs. This CTC at CIW is the first such facility proposed to be operated by CDCR and not DMH. Accordingly, the department will seek provisional Joint Commission Accreditation for the facility. The department states that accreditation

will help ensure that it has the appropriate staffing, policies, and procedures in place to take on this new responsibility, as well as demonstrate to the *Coleman* court that it is prepared to do so effectively. Requirements associated with obtaining accreditation by the Joint Commission exceed those of State licensure by DPH. In order to prepare for this accreditation, the department is requesting nine headquarter positions and \$1.2 million ongoing to obtain and maintain Joint Commission Accreditation for the CIW facility and for other inpatient facilities that will be constructed over the next four years, including the inpatient facilities at California Medical Facility and Correctional Health Care Facility.

Staff Comments. The activation of this facility is consistent with the department's long-range plans to provide sufficient housing and treatment for seriously mentally ill inmates. The Legislature has already approved the construction of this facility knowing that there would be additional ongoing operating costs.

The LAO raises a concern with four of CDCR's budget requests related to the activation of new facilities, including the CTC at CIW. The LAO's concern is that the funding requests for activation of these new beds does not account for the offsetting savings that should occur from taking down beds in other facilities. The LAO recommends that the department report at budget hearings to detail the level of offsetting savings that would be incurred, an amount which should total a couple of millions of dollars in 2012-13, growing to tens of millions of dollars in 2012-13, for all four projects.

Staff agrees with the LAO's analysis which is consistent with committee actions taken in prior years when the department has activated new facilities.

The committee may also want to consider whether it wishes to fund the additional staffing requested for headquarters accreditation staffing. While it is certainly the case that this facility must meet basic licensing standards, accreditation is not required. The department does report, however, that national accreditation is likely to be an important step in demonstrating to the *Coleman* court that the department can effectively manage its mental health programs and, eventually, end federal court oversight. Though this may be a laudable goal, the committee may want to consider whether this accreditation work is something the department should do with existing resources, particularly in light of the state's overall fiscal problems.

Key Questions for Legislative Consideration. In reviewing this proposal, the committee may wish to consider the following questions.

- What offsetting savings should the department experience from activating this facility? How did the LAO arrive at its conclusion that savings should reach a couple of millions of dollars in the budget year?

- Has the administration and LAO agreed upon a reasonable level of offsetting savings?
- Can the department effectively run this CTC, a type of facility that is operated by DMH in all other CDCR prisons where such facilities are located?
- How important is it that the department seek accreditation of this facility?
- If the department does seek accreditation, should it use its existing resources rather than requesting \$1.2 million for this purpose?
- How long is accreditation staff needed? If approved, should they be limited term?

Staff Recommendation. Hold open, unless the administration and LAO have identified an agreed upon level of offsetting savings. If they have identified such an amount, the committee may wish to adopt the proposal inclusive of those savings.

In addition, staff recommends deletion of the \$1.2 million related to headquarters staff to achieve accreditation of this and other facilities. Staff agrees that seeking accreditation is a worthwhile goal that should be pursued but believes that the department should utilize existing headquarters resources for this purpose. While the department does not have existing staff specifically dedicated to seeking accreditation, its existing staff already has the responsibility of designing effective procedures and protocols.

Issue 3 – CMF ICF Activation

Background. The CDCR is scheduled to open a new Intermediate Care Facility (ICF) at the California Medical Facility (CMF – Vacaville) in October 2011. The ICF will house seriously mentally ill inmates in need of longer-term inpatient treatment. Construction of the project was funded through AB 900 and is consistent with the *Coleman* court's direction to increase ICF capacity in the prison system. The Department of Mental Health will provide the clinical staffing for this facility. CDCR is responsible for providing the security staffing.

Proposal. The CDCR is requesting \$1.958 million and 20.0 PYs in 2011-12, growing to \$2.35 million and 25.1 PY in 2012-13 to provide custody staffing for the activation and operation of the 64-bed ICF at CMF.

Staff Comments. The activation of this facility is consistent with the department's long-range plans to provide sufficient housing and treatment for seriously mentally ill inmates. The Legislature has already approved the construction of this facility knowing that there would be additional ongoing operating costs.

The LAO raises a concern with four of CDCR's budget requests related to the activation of new facilities, including the ICF at CMF. The LAO's concern is that the funding requests for activation of these new beds does not account for the offsetting savings that should occur from taking down beds in other facilities. The LAO recommends that the department report at budget hearings to detail the level of offsetting savings that would be incurred, an amount which should total a couple of millions of dollars in 2012-13, growing to tens of millions of dollars in 2012-13, for all four projects.

Staff agrees with the LAO's analysis which is consistent with committee actions taken in prior years when the department has activated new facilities.

Key Questions for Legislative Consideration. In reviewing this proposal, the committee may wish to consider the following questions.

- What offsetting savings should the department experience from activating this facility? How did the LAO arrive at its conclusion that savings should reach a couple of millions of dollars in the budget year?
- Has the administration and LAO agreed upon a reasonable level of offsetting savings?

Staff Recommendation. Hold open, unless the administration and LAO have identified an agreed upon level of offsetting savings. If they have identified such an amount, the committee may wish to adopt the proposal inclusive of those savings.

Issue 4 – CMC MHCB Activation

Background. The department is currently constructing a 50-bed Mental Health Crisis Bed (MHCB) unit at the California Men's Colony (CMC – San Luis Obispo) with a scheduled completion date of July 2012. It is expected that it will obtain licensure in September 2012 and will immediately initiate the admission process of inmate-patients. This project is consistent with the activation plan approved by the *Coleman* court.

The goal of the MHCB program is designed a short-term housing and treatment program to provide services for conditions which require an inpatient setting to improve acute mental health symptoms, including suicidal behavior. The MHCB program operates 24 hours a day, 7 days a week. An inmate-patient admitted to the MHCB for mental health treatment may have acute symptoms of a serious mental disorder or may be suffering from a significant or life-threatening disability. Many conditions may precipitate a mental health crisis during institution confinement. Such factors as the restrictions of confinement, pressures to conform to the prison lifestyle, and fear of more predatory inmates may disrupt an inmate's coping abilities. An inmate with no known mental health history may suffer acute symptoms, while another with mental illness in remission may have recurring symptoms.

Proposal. The Governor's budget proposes \$1 million General Fund and 9.1 positions in 2011-12 (growing to \$18.9 million General Fund and 182.8 positions in 2012-13) for implementation of a 50-bed licensed MHCB unit at CMC in compliance with a *Coleman* Court order.

Positions are necessary in order to meet mandated licensing requirements for this facility within court ordered timelines. This will enable CDCR to comply with the March 31, 2010 *Coleman* Court order to reduce or eliminate the wait lists for inpatient care and, in the interim, to better serve the treatment needs of *Coleman* class members placed on such list.

Staff Comments. The activation of this facility is consistent with the department's long-range plans to provide sufficient housing and treatment for seriously mentally ill inmates. The Legislature has already approved the construction of this facility knowing that there would be additional ongoing operating costs.

The LAO raises a concern with four of CDCR's budget requests related to the activation of new facilities, including the MHCB at CMC. The LAO's concern is that the funding requests for activation of these new beds does not account for the offsetting savings that should occur from taking down beds in other facilities. The LAO recommends that the department report at budget hearings to detail the level of offsetting savings that would be incurred, an amount which should total a couple of millions of dollars in 2012-13, growing to tens of millions of dollars in 2012-13, for all four projects.

Staff agrees with the LAO's analysis which is consistent with committee actions taken in prior years when the department has activated new facilities.

Key Questions for Legislative Consideration. In reviewing this proposal, the committee may wish to consider the following questions.

- What offsetting savings should the department experience from activating this facility? How did the LAO arrive at its conclusion that savings should reach a couple of millions of dollars in the budget year?
- Has the administration and LAO agreed upon a reasonable level of offsetting savings?

Staff Recommendation. Hold open, unless the administration and LAO have identified an agreed upon level of offsetting savings. If they have identified such an amount, the committee may wish to adopt the proposal inclusive of those savings.

Issue 5 – Northern California Re-Entry Facility Warm Shutdown

Background. The Northern California Reentry Facility (NCRF – Stockton) is the first reentry facility constructed under AB 900. The NCRF is located on the previous site of the Northern California Women’s Facility. The existing infrastructure is being repurposed to accommodate 500 male re-entry inmates. The renovations are scheduled to be completed and activation begin by December 2012.

Proposal. The Governor's budget proposes to not activate NCRF as originally planned. Instead, the administration proposes a “warm shutdown” of NCRF. A warm shutdown requires maintaining a small staffing level at the facility to ensure proper maintenance of the facility. Without this staff, the infrastructure of the facility could fall into disrepair, requiring more expensive renovations when the facility is opened.

This request results in no net funding change because the department was already authorized for some early activation staff and funding. The administration proposes to repurpose those resources for the warm shutdown. Specifically, the facility had been authorized for seven positions and \$880,000. The department is requesting to convert that funding to five positions, as well as funding for operating expenses and equipment for the warm shut down. Specifically, CDCR is requesting the following resources for the warm shutdown:

- Correctional Plant Manager I – to manage the maintenance of the facility to ensure the State’s assets are protected.
- Office Technician – for typing and record keeping.
- Lead Groundskeeper - to maintain grounds, sanitation, drainage, and erosion control for the facility.
- Stationary Engineer – to maintain the facility’s mechanical systems.
- Water and Sewage Plant Supervisor – to maintain the facility’s mechanical systems and water treatment system.
- \$475,000 for operating expenses and equipment.

The warm shut down at NCRF includes the following types of activities:

Component / System	Activities
Potable Water Distribution	Maintain water treatment facility & systems. This system supplies potable water for neighboring California Department of Forestry camps. This system should be maintained to prevent bacterial

	contamination resulting in the eventual disinfection of the system. All plumbing fixtures and valves should be cycled / serviced periodically to ensure proper functionality. All backflow devices should be maintained and tested for compliance with health and safety requirements.
Steam / Hot Water Distribution System	Maintain high pressure boiler operation to supply steam and hot water to all structures of the facility at a reduced capacity. This will ensure all steam systems are maintained throughout the institution to prevent equipment failure, corrosion and possible ruptured piping due to below freezing temperatures during winter months.
Wastewater / Sewage System	The system should be operated/flushed monthly to compensate for evaporation in pipelines that could result in methane gas build up. Treat sewage lines for root intrusion quarterly. Service lift station pumps monthly.
HVAC & Refrigeration Systems	All buildings / housing units should have some form of air flow to deter mold growth as a result of moisture & stagnant air in a closed environment. HVAC units can be shut down but should be cycled / serviced at least semi-annually. Walk-in Refrigerator and Freezer units can be shut down but should be operated and serviced every 1-2 months. Electrical power should be maintained at all refrigeration compressors with oil heater to avoid potential oil migration.
Electrical Systems – Emergency Generators	The Paso Facility operates one emergency generator with six back-up generators on hand. This unit should be tested monthly and is under contract for preventive maintenance and semi-annual service.
Electrical Systems	Periodic service of computerized alarm system with staff tracking capability, a CCTV extensive LAN/WAN, fiber optic and phone systems to ensure proper functionality prior to re-activation.
Fire Alarm Systems	State law requires a functioning fire alarm system be maintained on all buildings unless they are occupied with trained staff. These system's control panels should be serviced at least quarterly.
Grounds Keeping and Vector Control	Maintaining grounds helps control insect and rodent / vector infestation of vacant areas and buildings. A pest control contract would ensure insect & vector populations are maintained at a minimum.

Staff Comments. This proposal raises two issues for legislative review. First, does the Legislature agree with the administration's proposal to put this facility on warm shutdown to reduce the additional GF costs that would otherwise occur, even in light of ongoing overcrowding in state prisons?

Second, is the level of staffing requested appropriate to effectively maintain the warm shutdown? The LAO finds that the department has not provided sufficient justification for the \$475,000 for operating expenses and equipment. The LAO, therefore, recommends reducing this request by \$475,000. The Department of Finance has indicated to staff that it is currently reviewing this request to see if further savings can be achieved.

Key Questions for Legislative Consideration. In reviewing this proposal, the committee may wish to consider the following questions.

- Should NCRF be placed on warm shutdown given the state's budget problems, even in light of ongoing prison overcrowding problems?
- If NCRF is placed on warm shutdown, when will it be activated?
- Should the proposal be reduced by \$475,000, as recommended by the LAO?

Staff Recommendation. Hold open pending further review by the Department of Finance and LAO to determine if the requested positions and funding can be further reduced.

Issue 6 – ISP HVAC Project – Capital Outlay

Proposal. The Governor's budget proposes \$6.1 million General Fund for the working drawings phase of a project to replace the heating, ventilation, and air conditioning (HVAC) system at Ironwood State Prison (ISP – Blythe). Total estimated cost of this project is \$143.2 million.

This project will replace the existing evaporative cooling system (sometimes referred to as “swamp coolers”) with a heating, ventilation, and closed loop chilled water air conditioning for the prison’s 20 housing units and a majority of the other institutional support facilities. The project will also install an energy saving roof membrane with insulation, as well as build a new central chiller plant and install a dedicated emergency power back-up generator to operate the central chiller plant during power outages. Preliminary plans for this project were funded in the 2008 Budget Act and were approved by the Public Works Board in November 2010.

The institution "swamp cooler" type air handling units at ISP have deteriorated and prematurely reached the end of their useful life. Despite continued maintenance and repair efforts, the units continue to corrode and are unreliable. Corrosive salt laden water generated by and leaking from the air handling units has caused extensive damage to areas surrounding roofs and walls.

From July to October, temperatures frequently range from 93 to 105 degrees Fahrenheit inside and 110 to 130 degrees Fahrenheit outside.

Staff Comments. The LAO recommends approval of the project request but inclusion of budget bill language that will allow this project to be funded through the reversion of an equivalent amount of capital outlay funds (GF) already authorized for infrastructure projects in AB 900. That bill authorized \$300 million for this purpose, and \$177 million of that amount is currently unspent. Taking this action would save the General Fund \$6.1 million, and is consistent with actions adopted in the budget for similar projects in each of the past two fiscal years.

Staff Recommendation. Approve proposal with addition of budget bill language authorizing the reversion of the AB 900 General Fund appropriation of \$6.1 million. Action will save \$6.1 million General Fund.

Issue 7 – Statewide Budget Packages and Advanced Planning – Capital Outlay

Background. The development of well documented and justified capital outlay requests for funding consideration in the annual Budget Act requires the development of budget packages. Additionally, the need arises during the fiscal year to perform advance planning functions such as environmental reviews and site assessments to determine the feasibility of future capital outlay requests. To perform these functions, the CDCR has been provided with a Statewide Budget Packages and Advance Planning appropriation in the annual Budget Act.

Proposal. The Governor's budget proposes \$750,000 General Fund to perform advance planning and prepare budget packages for capital outlay projects. Provisional language is included with this appropriation limiting it to projects that meet both of the following criteria: 1) the project being studied has not already received funding from the Legislature; and, 2) the project is being prepared for funding consideration in either of the next two state Budget Acts

Staff Comments. The LAO recommends approval of the project request but inclusion of budget bill language that will allow this project to be funded through the reversion of an equivalent amount of capital outlay funds (GF) already authorized for infrastructure projects in AB 900. That bill authorized \$300 million for this purpose, and \$177 million of that amount is currently unspent. Taking this action would save the General Fund \$750,000, and is consistent with actions adopted in the budget for similar projects in each of the past two fiscal years.

Staff Recommendation. Approve proposal with addition of budget bill language authorizing the reversion of the AB 900 General Fund appropriation of \$750,000. Action will save \$750,000 General Fund.

Issue 8 – Minor Capital Outlay Projects

Proposal. The Governor's budget proposes \$1.195 million for the construction of three minor capital outlay projects. This total also includes a ten percent contingency amount to cover possible cost overages. The three projects are:

1. **California State Prison – Solano, Closed Circuit Cooling Tower (\$352,000).** This proposal requests funding to install a closed circuit cooling tower in parallel with the existing steam heat exchangers in order to maintain indoor temperatures at or below 90 degrees Fahrenheit.
2. **N.A. Chaderjian Youth Group Recreation Area for Intensive Behavior Program (\$338,000).** This proposal requests funding for the construction of a fenced outdoor group recreation area for the youth assigned to the Sacramento Intensive Behavior Treatment Program. The group recreation area will be constructed in a location adjacent to the living unit.
3. **Wasco State Prison, Additional Blast-Chill Units for Main Kitchen (\$396,000).** This proposal requests funding to purchase and install two additional blast-chill units in the Main Kitchen at Wasco State Prison. These projects will resolve long-standing operational and equipment issues resulting from population increases.

Staff Comments. The LAO recommends approval of the project request but inclusion of budget bill language that will allow this project to be funded through the reversion of an equivalent amount of capital outlay funds (GF) already authorized for infrastructure projects in AB 900. That bill authorized \$300 million for this purpose, and \$177 million of that amount is currently unspent. Taking this action would save the General Fund \$1.2 million, and is consistent with actions adopted in the budget for similar projects in each of the past two fiscal years.

Staff Recommendation. Approve proposal with addition of budget bill language authorizing the reversion of the AB 900 General Fund appropriation of \$1.2 million. Action will save \$1.2 million General Fund.

Issue 9 – CMC Central Kitchen Replacement – Capital Outlay Reappropriation

Background. The 2008 Budget Act authorized \$15,263,000 (lease-revenue) for the working drawings and construction phases of a new central services kitchen and two satellite dining facilities at the California Men’s Colony (CMC – San Luis Obispo). The contract for this project was never awarded due to the suspension of project activities in December 2008, pursuant to DOF’s Budget Letter 08-33 which notified state departments of the action of the Pooled Money Investment Board to freeze all disbursements from the Pooled Money Investment Account, thereby restricting freezing construction loans. The encumbrance period for this appropriation expires at the end of the current fiscal year.

Proposal. The administration requests reappropriation of the \$15,263,000 originally authorized for the central kitchen replacement project at CMC. This project is to be funded from lease-revenue bonds.

Staff Comments. Staff raises no concerns with this project. The construction was previously authorized by the Legislature, and reappropriation of already authorized funds will add no additional General Fund costs above what was previously approved.

Staff Recommendation. Approve as budgeted.