

**AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION**

Assemblymember John Dutra, Chair

**WEDNESDAY, MAY 12, 2004
STATE CAPITOL, ROOM 437
1:30 P.M.**

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
1900	PUBLIC EMPLOYEES' RETIREMENT SYSTEM	2
ISSUE 1	OVERVIEW	2
1920	STATE TEACHERS' RETIREMENT SYSTEM	2
ISSUE 1	OVERVIEW	2
5460	DEPARTMENT OF YOUTH AUTHORITY	3
ISSUE 1	OVERVIEW	3
ISSUE 2	MT. BULLION YOUTH CONSERVATION CAMP - HELD OVER ...AGAIN	4

ITEM 1900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ISSUE 1: OVERVIEW

The Public Employees' Retirement System (PERS) administers the retirement plan for 1.4 million State and local government employees. The plan for state employees is funded on an actuarial basis. As of June 30, 2002, the fund's resources totaled 95.2 percent of that needed to meet its obligations. The system paid out \$7 billion in retirement benefits to 396,000 annuitants. The system received \$1.9 billion in employee contributions and \$1.9 billion in employer contributions in 2002-03. At the end of 2002-03 the system had net assets of \$144.8 billion. This is a slight increase over the \$142.8 billion in net assets at the end of 2001-02.

COMMENTS

In the April 14th hearing, questions were raised regarding the allocation of investment funds by the agency.

In the May 5th hearing, the Department was requested to submit a proposal to address investments by minority owned firms.

This item is recommended for approval.

ITEM 1920 STATE TEACHERS' RETIREMENT SYSTEM

ISSUE 1: OVERVIEW

The State Teachers' Retirement System (STRS) is the largest teachers' retirement system in the country. It has a total membership of 735,000 and assets of \$116.7 billion as of March 2004. Faculty members in kindergarten through the community college system receive services from STRS.

The primary objectives of STRS is: to maintain a fiscally sound retirement system; to maintain an efficient operating system for administration of STRS; to continuously improve the delivery of benefits and services to STRS members; and to expand and improve upon benefits while minimizing taxpayer costs.

STRS is administered by a 12-member Teachers' Retirement Board. The board sets the policies and makes rules for the system and is responsible for ensuring benefits are paid by the system in accordance with law.

The Teachers' Retirement Board includes:

- ◆ Three member-elected positions representing current educators.
- ◆ A retired CalSTRS member appointed by the Governor and confirmed by the Senate.
- ◆ Three public representatives appointed by the Governor and confirmed by the Senate.
- ◆ A school board representative appointed by the Governor and confirmed by the Senate.
- ◆ Four board members who serve in an ex-officio capacity by virtue of their office: Director of Finance, State Controller, State Superintendent of Public Instruction, and State Treasurer.

The board members, excluding the ex-officio members, serve four-year terms.

In the April 28th hearing, discussion of the Department's budget was held over to address issues related to the investment of funds by minority owned businesses.

ITEM 5460 DEPARTMENT OF YOUTH AUTHORITY

ISSUE 1: OVERVIEW

The California Youth Authority (CYA) was created in 1941. By 1943 the agency began to operate "reform schools," providing institutional training and parole supervision for juvenile and young adult offenders. It is the largest youthful offender agency in the nation, with some 4,055 young men and women in institutions and camps at the end of the current fiscal year and further declining to 3,820 by the end of 2004-05. The parole population is also decreasing with an estimated 4,025 parolees at the end of the fiscal year and 3,810 by the end of the budget year.

As part of the state's juvenile justice system, the CYA works closely with law enforcement, the courts, prosecutors, probation, and a broad spectrum of public and private agencies concerned with and involved in the problems of youth.

CYA's mission, as described in Section 1700 of the Welfare and Institutions Code, is to protect the public from criminal activity. The law mandates the department to:

- ◆ Provide a range of education, treatment, and training services for youthful offenders committed by courts;
- ◆ Direct these offenders to participate in community and victim restoration;
- ◆ Assist local justice agencies with efforts to control crime and delinquency; and
- ◆ Encourage the development of state and local programs to prevent crime and delinquency.

The CYA receives its youthful offender population from both juvenile and criminal court referrals, and offenders committed directly to the CYA do not receive determinate sentences. The Youthful Offender Parole Board, a separate administrative body, determines their parole release. Those committed by the criminal courts that cannot complete their sentence by age 21 are transferred to CDC prisons at age 18.

In practice, the period of incarceration is determined by the severity of the committed offense and the offender's progress toward parole readiness. The incarceration time may not exceed the limits of determinate sentences for adults committing the same crime.

ISSUE 2: MT. BULLION YOUTH CONSERVATION CAMP

The Governor's Budget proposes the closure of the Mt. Bullion Youth Conservation Camp. This is part of the department's strategy to reduce excess capacity consistent with the intent of Chapter 1124, Statutes of 2002 (AB 3000, Oropeza). This closure would follow that of Karl Holton, Ventura (partial) and Northern California Reception Center facilities, and would be in addition to the Administration's proposal to close the Fred C. Nelles Youth Correctional Facility by July 2004.

The Mt. Bullion camp is located in Mariposa County, is one of four camps statewide and is jointly operated with the California Department of Forestry (CDF). According to departmental regulations CYA staff is responsible for the custody, supervision and treatment of assigned offenders while the CDF staff plans and supervises the work projects performed by the wards. However, according to the Department, the custody of the wards actually is transferred to CDF staff during the day and returned to CYA after the end of the work shift. It is not clear what police powers the CDF staff has to address any problems that may occur involving the wards.

An important function of this camp is to employ the wards in a variety of tasks including fire prevention and conservation projects. In order to qualify for this assignment, the ward must: 1) be determined to be sufficiently physically fit to perform fire fighting activities; 2) have no history of possession or manufacturing of an explosive device; 3) not in need of psychotropic medication; be within 36 months of the current parole consideration date; not have escaped or attempted to escape from a state or local juvenile detention facility; 4) have outstanding felony holds or face court actions that could result in additional time in confinement (including a hold by the US Immigration and Naturalization Service); 5) have had his or her parole revoked more than once; 6) does not have a history of sexual offenses and 7) have not been convicted of arson. While the regulations indicate that wards 16 and 17 years of age may qualify for camp assignments with parental consent, the department has indicated that due to liability issues, no ward under 18 years of age are eligible for camp.

The Mt. Bullion camp is one of four camps that has capacity to house 80 wards and according to the CYA may be expanded to house 100 wards. The closure of the camp is expected to save \$2.4 million or approximately \$30,000 per-year-per-ward at capacity. The average cost if filled to the 100 level would approach \$24,000 per-year-per-ward. This is significantly lower than the average cost for the department of nearly \$74,000 per-year-per-ward. The cost may also favorably compare with the cost of juveniles placed in county camps. According to information from Los Angeles County, the annualized cost for that county for a juvenile in camp is \$38,343.

The wards at the camp have provided an average of 54,000 hours of emergency services per year over the past 8 years. In addition they have provided an average of 120,000 hours of community service per year. As an example of the community services provided, wards and the staff have raised over \$200,000 by fund raising and providing in-kind services to Mt. Crisis Services, a local domestic violence agency. This has allowed the agency to purchase one domestic violence shelter and has contributed to the purchase of a second facility. These

activities have been made possible with the support of the community including the County Board of Supervisors who supports the continuing operations of the camp.

While the camps appear to provide an option for CYA to reduce its average costs per ward, the Department indicates that there are only sufficient number of wards that meet the minimum requirements to staff three of the four camps.

COMMENTS:

The subcommittee may want to ask the department to address the following:

- ◆ What it has done to enhance the number of wards at the camps?
- ◆ Could it expand the number of wards in the camp by offering programs other than fire suppression?
- ◆ Has it sought additional commitments from counties for wards that would be eligible for the camp environment? On a reimbursable basis, the state may be able to charge an amount lower than the county's cost for incarceration.

At the May 5th hearing, CYA had indicated that a meeting was scheduled for May 10, 2004 regarding the closure of Mt. Bullion. The subcommittee may want to hear of the outcome from this meeting.