California State Assembly

Informational Hearing Agenda

Assembly Budget Subcommittee No. 6
on Public Safety

Assemblymember James Ramos, Chair

Monday, April 28, 2025
2:30 P.M. – State Capitol, Room 447

Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.

Items To Be Heard

0286 Office of Youth and Community Restoration

Issue 1: Juvenile Justice Realignment Block Grant (JJRBG)

The Office of Youth and Community Restoration will provide an overview of the proposed changes to the Juvenile Justice Realignment Block Grant formula.

Panel

- Katherine Lucero, Director, Office of Youth and Community Restoration
- Jennifer Ramirez, Department of Finance
- Shelina Noorali, Department of Finance
- Orlando Sanchez Zavala, Legislative Analyst's Office
- Drew Soderborg, Legislative Analyst's Office

Background

The Office of Youth and Community Restoration (OYCR), housed under the California Health and Human Services (HHS) Agency, was established in the 2020 Budget Act as part of the realignment of the Division of Juvenile Justice (DJJ) to local counties (SB 823, Chapter 337, Statutes of 2020). OYCR was created to provide state level oversight and technical assistance over the continuum of juvenile justice at the local level in order to "promote trauma-responsive, culturally informed services for youth involved in the juvenile justice system that support the youths' successful transition into adulthood and help them become responsible, thriving, and engaged members of their communities." In addition, the Legislature intended for OYCR to assist in identifying and addressing trends that both harm and improve youth outcomes, identify and address issues of "justice by geography," and by housing it under HHS, achieve their goals and missions using a public health based approach. In the 2024 Budget Act, all juvenile justice grant administration duties were shifted from the Board of State and Community Corrections to OYCR.

While DJJ's closure only impacted a small fraction of the number of youth in the justice system (as most youth were kept in local programs or facilities prior to DJJ's closure), many of these youth had high needs that some counties were not equipped to serve. The realignment package included statutory language for counties to establish secure youth treatment facilities (SYTF) and a process for youth to "step down" to lesser restrictive community based programs to assist in the transition of responsibility. Prior to DJJ's closure, approximately 350 youth were annually sent to DJJ from counties. The total annual DJJ population fluctuated between 700-900 total youth. In fiscal year 2022-23, there were 427 youth committed to county SYTFs, of whom 94% were youth of color. Forty-four counties between fiscal years 2021-22 and 2022-23 had fewer than 12 youth committed to an SYTF across both fiscal years[1].

[1] https://oycr.ca.gov/california-youth-committed-to-a-sytf/

SB 823 included a temporary JJRBG funding formula that used DJJ historical commitment numbers to determine grant allocations to counties. Specifically, the formula used three factors: (1) the number of Welfare and Institutions Code 707(b) and Penal Code 290.008 adjudications; (2) average daily populations of DJJ wards; and (3) the total youth population in the county from the preceding calendar year. Welfare and Institutions Code 1991(a)(5) directs the Governor to consult with stakeholders and the Legislature to revise the existing funding formula by January 10, 2025.[2]

Governor's Proposal. The Governor proposes trailer bill language to revise the JJRBG formula in the following manner:

Maintain the existing temporary JJRBG formula in 2025-26 and 2026-27. Beginning in 2027-28 and ongoing, the formula would be changed as follows:

Fiscal Year	Violent and Serious Offenses (total unduplicated number of youth per the Juvenile Court and Probation Statistical System (JCPSS)	Projected Average Daily Population	Youth Population ages 10-17 inclusive	Youth not transferred to an SYTF and youth transferred from an SYTF and a Less Restrictive Placement (LRP)
2026-27 (current formula)	50%	30%	20%	N/A
2027-28 (proposed new formula begins)	52.5%	N/A	42.5%	5%
2028-29	50%	N/A	40%	10%
2029-30	47.5%	N/A	37.5%	15%

Under current law and as proposed in the trailer bill language, counties would receive a minimum allocation of $250,000 in JJRBG funds.

Staff Comment

The Subcommittee is in receipt of the following concerns raised by more than 23 youth justice stakeholders with the proposed changes to the formula:

(1) There is no Distinction between LRPs in Carceral vs. Community Settings.

The Administration's proposal assigns a proportion of the JJRBG funds based on the number of youth who were committed to an SYTF and then transferred to an LRP. However, the proposal

[2] SB 823 required the JJRBG formula to be revised in 2024 but 2024 Budget Act delayed this revision to 2025.

does not distinguish LRPs that are in the community from LRPs that are in carceral facilities. While we take the position that locating an LRP within a juvenile hall violates the letter and spirit of WIC 875(f), it is our understanding that some counties have nonetheless moved forward with this approach by designating units within their juvenile halls as "LRPs." Thus, counties that are building the capacity of community-based approaches for LRPs would receive the same funding as counties that are using secure facilities as an LRP. <u>Counties that transfer youth from SYTFs to community based LRPs should a greater proportion of funds.</u>

(2) Combining the number of youth eligible for an SYTF, but not committed to an SYTF, with the number of youth who are transferred from an SYTF to an LRP results in the number of youth transferred to LRPs having little impact on the overall funding formula.
By Fiscal Year 2028-29, the Administration's proposal distributes 15 percent of the JJRBG funds based on the number of youth adjudicated for an offense listed in WIC 707(b) who were not committed to an SYTF ***or*** youth who were transferred from an SYTF to an LRP. The number of youth who are eligible for an SYTF but for whom an alternative, less restrictive disposition is ordered is significantly higher than the number of youth who are committed to an SYTF and later transferred to an LRP. Because of this, the number of youth transferred to an LRP will have a marginal impact on the county allocation of funding and thus will not effectively incentivize the creation and use of LRPs. <u>While both factors should be in the funding formula, they should be separated.</u>

(3) Data Sources are Outdated.
Current law defines the "realignment target population" for the JJRBG grant program as "youth who were eligible for commitment to the Division of Juvenile Justice prior to its closure," which is further defined as "persons who are adjudicated to be a ward of the juvenile court based on an offense described in subdivision (b) of Section 707 or on offense described in Section 290.008 of the Penal Code." At the time SB 823 was passed, there were no standard data sources to determine the number of youth in each county who were in the "realignment target population." Therefore, a proxy, using the best available data at the time, was used for the JJRBG formula: youth adjudicated for "certain violent and serious felony crime categories per 2018 Juvenile Court and Probation Statistical System (JCPSS) data." T<u>here are now better sources of data to determine the "realignment target population" so the outdated JCPSS proxy data should be replaced with the data reported to OYCR pursuant to AB 102 and Welfare and Institutions Code 2200(g).</u>

In addition, the Chief Probation Officers have expressed concern that the proposal will "decrease the stability and reliability of the resources for probation departments and will not improve outcomes for this population as intended." CPOC also notes technical concerns with the proposal, including the proposal not including how funds will be allocated in 22025-26 and 2026-27 and the new data element in the formula is based on data that is only available from the counties to the state through 2030. They further state that the Administration's proposal "condition[s] JJRBC on less restrictive programs in an attempt to influence judicial decisions."

Staff notes that the two technical concerns raised by the chief probation officers is/may be addressed in the following manner:

1) The Administration has proposed that the current JJRBG formula will apply in 2025-26 and 2026-27.
2) The data reporting requirements should be made permanent at the sunset of the current data reporting requirements.

In addition, staff notes that the Legislature does not receive any reporting on how JJRBG grants are actually spent by the counties, whether youth outcomes and public safety outcomes are improved, recidivism rates, etc. As such, the Legislature is severely limited in its ability to provide oversight of state funds and to assess the effectiveness of programs, policies, and interventions implemented using JJRBG funds. A recent audit of Los Angeles County's spending of JJRBG funds indicated that in 2021-22, the county received $88 million in JJRBG funds but as of June 2024, only $9.7 million of the funds were spent. In addition, the Los Angeles County Probation department is facing a number of other challenges including 1) a recent court order to close their Los Padrinos Juvenile Hall[3], and 2) the Department of Justice announced a grand jury indictment of 30 probation officers for various charges including child abuse, child endangerment, conspiracy to commit a crime, and battery impacting 143 victims between the ages of 12-18.

Lastly, staff notes that media reports, audits, and investigations, while critical to transparency and accountability, often occur too late for any interventions that can mitigate any harmful impact to youth and public safety. To fulfill its oversight responsibility, the Legislature requires information from counties on a regular frequency on the use of state funding to assess whether the expenditures are appropriate, advance public safety, improve youth outcomes, and importantly, give the Legislature the opportunity to address issues that require intervention sooner than later, in order to mitigate harms and waste.

Staff Recommendation: Hold Open.

[3] In 2024, the Board of State and Community Corrections (BSCC) determined the juvenile hall was unsuitable and required the county to submit a corrective action plan which the county failed to do. Subsequently, BSCC ordered the county to stop using the facility but the county continued to use the facility despite these orders

0250 Judicial Branch

Issue 2: SB 678 Trailer Bill Proposal

The Department of Finance and Judicial Council will provide an overview of the proposed changes to the SB 678 Community Corrections Performance Incentives Formula.

Panel

- Justin Adelman, Department of Finance
- Francine Byrne, Director of Criminal Justice Services, Judicial Council
- Orlando Sanchez-Zavala, Legislative Analyst's Office
- Drew Soderborg, Legislative Analyst's Office

Background

Background. Chapter 608 of 2009 (SB 678, Leno)—also known as the Community Corrections Performance Incentives Act of 2009—established a grant program to achieve three primary goals:

(1) Reduce the rate at which county probation sends people on county felony supervision to state prison,
(2) Create state savings, and
(3) Improve public safety.

It did this by rewarding counties with a portion of the state savings created for each person on county felony supervision diverted from prison. The number of people diverted was estimated by comparing the rate at which each county actually sent people on county felony supervision to prison in a given year with a historical baseline rate at which they previously did so. If counties sent people at a lower rate than the historical baseline rate, they received a portion of the resulting state savings based on a formula. Notably, SB 678 requires counties to spend the funds they receive on probation programs and practices that are evidence-based, meaning research has shown they are effective at reducing re-offending**.** Since the enactment of SB 678, the state has awarded a total of over $1 billion to county probation departments.

Since passage of the act, the State of California has adopted significant changes in criminal justice policies that directly impacted SB 678—most notably the 2011 Public Safety Realignment, which reduced the number of people on probation eligible for revocation to state prison and created two new groups subject to local supervision. In order to maintain effective incentives and account for the significant changes in criminal justice policy, a new funding methodology was adopted as part of the 2015 Budget Act. The existing statutory formula is based on year-to-year prison revocation metrics and is intended to serve as a financial incentive for probation departments successfully keeping individuals on probation from returning to state prison. At the end of each calendar year, the Department of Finance determines each probation department's SB 678 funding allocation based on each county's performance. County probation departments must spend SB 678 funds on the implementation or enhancement of evidence-based practices, including, but not limited to, risk/needs assessment, use of graduated sanctions, and provision of evidence-based treatment modalities such as cognitive behavioral therapy.

Since 2021, the funding allocations have been frozen due to the COVID-19 pandemic's impacts on the data used in the formula.

Governor's Proposal. The Governor's Budget proposes $126.5 million for the Community Corrections Performance Incentives Grants to county probation departments, and an updated methodology for calculating incentive payments to the counties beginning in 2025-26.

	Existing SB 678 Formula	Proposed New Formula
Funding Component 1: Comparison of statewide return to prison rates	**Performance Payment[4]:** Each county's return to prison rate (RPR), which equals the number of individuals on felony probation, mandatory supervision, and PRCS sent to prison as a percentage of the total supervised population, is compared to statewide RPRs since the original SB 678 baseline period (2006– 2008).	**Performance payment:** compares a county's most recent annual county felony supervision failure-to-prison rates with the county's average failure-to-prison rates in 2021, 2022 and 2023—known as the baseline rates. Each county has a different baseline rate for each of the three county felony supervision populations (mandatory supervision, PRCS, and felony probation). If the failure-to-prison rate for a specific county felony supervision population is lower than the baseline rate, the county receives a share of state savings per person diverted—similar to the original SB 678 formula.

[4] If county's RPR remains the same as its previous RPR, the same payment will be provided.

	Existing SB 678 Formula	Proposed New Formula
Funding Component 2: Comparison of each county's return to prison rate and its failure rate in the previous year.	**Performance Payment**: Each year a county's RPR from the previous year is applied to its current year's felony supervised populations to calculate the expected number of prison revocations. If a county sends fewer individuals on felony supervision to prison than the expected number, the county will receive 35% of the state's costs to incarcerate an individual in prison multiplied by the number of avoided prison stays. The number of avoided prison revocations are calculated separately for each felony supervised population.	**Maintenance Payment**: Counties would receive a set amount irrespective of their performance. This amount is $103.7 million for 2025-26, which is 89% of the total grant.
Funding Component 3: Minimum payment guarantee	$200,000	$200,000

Legislative Analyst's Office (LAO))

The LAO provides the following analysis and recommendations:

Changes to the Modified Formula Are Warranted. Without a change, SB 678 grant awards will be calculated using the modified formula beginning in 2025-26 due to the expiration of the hold currently in place. In our publication, *Achieving the Goals of the SB 678 County Probation Grant Program*, we found that the modified formula may not be effectively achieving the goals of the program. This is because: (1) the effects of the formula on the prison population, crime, and state savings are difficult to distinguish from other policy changes; (2) components of the modified formula do not align with the original goals of the program; and (3) it is unclear whether counties are *actually* implementing evidence-based practices, which is important for achieving the goal of improving public safety. Accordingly, we concur with the administration that a change is needed. However, the administration's proposed formula has several notable drawbacks described below.

Proposed Baseline for Performance Payment Is Problematic. The administration's proposal to measure county performance against baselines using failure-to-prison rates from 2021 through 2023 has a key drawback. Specifically, including 2021 data is problematic because failure-to-prison rates during 2021 were artificially low due to factors related to the COVID-19 pandemic rather than county performance. For example, because state prisons were not admitting people for a portion of 2021 to prevent the spread of the virus, some people who should have been counted in failure-to-prison rates were not. This could have the effect of making it more difficult for counties to demonstrate improvement relative to the proposed baselines, artificially lowering grant awards through the performance payment. Additionally, the administration indicates it does not anticipate proposing future changes to the baseline. This means it would not be adjusted for policy changes such as Proposition 36 (2024). Proposition 36 increased punishment for various theft and drug crimes, which could make it easier for people to fail-to-prison while on county felony supervision. In other words, it might make future county failure-to-prison rates high for reasons that are outside of the control of the probation departments, again artificially lowering grant awards through the performance payment. These factors could lower their funding for evidence-based practices—which could harm public safety, undermining a key goal of the SB 678 grant program.

Methodology for Estimating State Savings Per Person Diverted Has a Few Drawbacks. The methodology proposed by the administration to estimate the amount the state saves when people are diverted from prison—and by extension the amount counties receive through the performance payment—has the following drawbacks:

- ***Uses Average Rather Than Marginal Cost.*** The proposed formula uses the state's average cost to house a person in state prison to estimate the amount the state saves when such people are diverted. We find that using the marginal cost is a more reasonable approach. The marginal cost better captures how much the state saves when one fewer person enters prison, such as savings on food, clothing, and medical care. In contrast, the average cost includes costs that often are only saved when entire facilities are closed, such as facility or correctional staffing costs. We estimate the prison marginal cost to be about $20,000 per person per year, whereas the administration estimates the average cost to be about $128,400 per person per year. Similarly, the administration uses the average cost to supervise someone on parole—about $17,000 per person per year, while we estimate the parole marginal cost to be about $11,000 per person per year. As a result, this part of the proposed methodology would overestimate state savings.
- ***Assumes All People Are Released to Parole.*** The proposed formula also assumes that the state saves parole-related costs every time someone is diverted from prison. However, this is not the case because generally only people with current serious or violent offenses can be placed on parole. Historically, only about half of the people released from prison have been released to parole and the other half to PRCS. As a result, this part of the proposed methodology would overestimate state savings.
- ***No Adjustment for Amount of Time in Prison or on Parole.*** The proposed formula does not take into account the amount of time people serve in prison or on parole. For example, there is no adjustment for the fact that people who are ultimately released to parole serve, on average, nearly six years in prison and around two years on parole. As a result, this part of the proposed methodology would underestimate state savings.

On net, we find that the administration's methodology underestimates the amount of state savings for each person diverted and—since this estimate determines the amount of performance payments—it has the effect of reducing counties' incentive to divert people from prison. Specifically, after adjusting for the issues discussed above, we estimate that 25 percent of the amount the state saves for each person diverted is about $21,000—or $2,800 higher than under the administration's proposed formula.

Aspects of Maintenance Payment Are Problematic. We find that aspects of the maintenance payment are problematic for several reasons.

- ***Unclear Rationale for Amount.*** First, we find that the rationale for the amount of the maintenance payment is unclear. The maintenance payment ($103.7 million) reflects a roughly $20.1 million reduction (16 percent) from the amount counties received in 2023-24 when the formula was placed on hold. In 2023-24, each county received their highest SB 678 grant award from the prior three fiscal years (2018-19, 2019-20, or 2020-21) due to concerns that grant awards would fluctuate for reasons unrelated to performance. It is not clear why this amount is the most reasonable to base funding on—particularly given that it makes up over 80 percent of counties' total grant awards under the proposed formula.
- ***Does Not Support Program Goals.*** Second, it is not clear which specific SB 678 goal the maintenance payment is connected to or what incentive counties have to achieving a specific goal with these funds. For example, the maintenance payments to counties are not connected to actual state savings, any specific reduction to prison commitments, or any specific evidence-based practice shown to yield positive results. As a result, the maintenance payment does not support the original goals of the program.
- ***Growth Adjustment Not Tied to Actual Growth in County Costs and Would Have Less Oversight.*** We also find that the maintenance payment's growth adjustment is problematic. First, it is not tied to increases in county supervision costs, rather it is tied to growth in realignment revenues, which has no bearing on county costs. This could provide more funding to county probation departments than necessary to run effective and efficient county supervision programs in some years and less funding than necessary in other years. Second, the maintenance payment's growth adjustment reduces legislative oversight. This is because it would provide additional funding to counties without the administration having to directly request it. This is particularly problematic since the program would no longer be structured in a way to ensure it generates net state savings.

Minimum Guarantee Disconnects Actual State Savings From Performance. The minimum guarantee of $200,000 to counties undermines the goal of generating state savings and reducing prison commitments. This is because a county could continue to receive SB 678 funds despite not diverting anyone from prison. This disconnects actual state savings from performance, thereby providing little incentive for improvement for some counties with lower performance.

No Proposed Changes to Oversight. While counties are required to use SB 678 funds on evidence-based practices, there are no required audits or assessments of the evidence-based practices counties are using. This makes it difficult for the Legislature to assess whether counties that report funding evidence-based practices and programs are in fact doing so. This is concerning given one of the goals of the program is to improve public safety by incentivizing the use of these practices.

Recommendations

1. Modify Performance Payment

We concur with the administration that providing payments based on performance is an important way to achieve the original goals of the SB 678 grant program. The Governor's proposal gets the state closer to achieving those goals. However, we recommend the following changes to the Governor's proposed performance payment to address the concerns we identified above. We find that these steps would allow the state to better assess the actual state savings generated, preserve the formula's fiscal incentives, and continue sharing state savings with counties at a level the Legislature finds appropriate.

Use 2022 and 2023 as the New Baseline and Consider Future Updates. We recommend that the new baseline be based on years that fully reflect all of the policy changes that have impacted county felony supervision failure-to-prison rates. As noted above, 2021 failure-to-prison rates were likely artificially low due to COVID-19. By excluding 2021, the baseline rates would be less impacted by COVID-19. This would make estimates of performance more accurate and potentially more achievable for some counties. Although making this change might only result in modest changes to the statewide performance payment, compared to the Governor's proposal, it may have a larger impact on smaller, more rural, counties that are more affected by small changes in failure-to-prison rates. The Legislature could also consider updating the baseline in the future after Proposition 36 is fully implemented to the extent it—or other significant changes—impact county performance.

Update State Savings Methodology. We recommend making three changes to the Governor's proposed methodology: (1) use the marginal costs to incarcerate someone in state prison and supervise someone on state parole, (2) adjust the formula to account for the fact that not everyone is released to parole, and (3) adjust for the average amount of time people spend in prison and parole. Under this methodology, the estimated amount the state saves for each person diverted from prison would be about $84,000.

Consider What Portion of State Savings to Transfer to Counties. The Legislature could consider adopting the Governor's proposal that 25 percent of state savings be transferred to counties. If our method for estimating state savings was used, this would increase the amount allocated to counties through the performance payment by a few million dollars. However, the Legislature could choose a higher or lower amount. A higher percentage provides greater incentive and resources to the counties to reduce prison commitments, but reduces the amount of state savings achieved. A lower percentage does the opposite. Determining the amount ultimately depends on how the Legislature weighs the goal of achieving state savings versus reducing prison commitments.

2. Modify Maintenance Payment

If the state only provides funding based on performance, then SB 678 grant awards would likely decline significantly. Such a reduction in funding could be problematic if it results in counties spending less on evidence-based practices that successfully reduced prison commitments.

Accordingly, we concur with the administration that some funding similar to the proposed maintenance payment is necessary. However, we recommend an alternative maintenance payment that pays only for specific evidence-based practices that will improve public safety and does so in ways that are more likely to generate state savings—two of the key goals of the original program. As we discuss below, this will likely take time. If the Legislature would prefer to implement a more permanent maintenance payment immediately, we also outline simple changes the Legislature could make to the Governor's proposed maintenance payment that would address some—though not all—of our concerns.

Key Steps for Implementation of Maintenance Payment for Specific Evidence-Based Practices.

- ***Identify Practices to Be Funded.*** We recommend that a group of experts, be convened to identify evidence-based practices that are likely to reduce the number of prison commitments from the county felony supervision population. Only these practices would be eligible for funding through this portion of the grant. We recommend tasking the Board of State and Community Corrections (BSCC) with convening this group.
- ***Estimate Level of Savings and Award Amount for Each Evidence-Based Practice.*** We recommend directing BSCC to collaborate with experts to estimate the savings likely to be created by each evidence-based practice identified in the previous step. The Legislature could then determine what portion of the cost of the practice would be covered through the grant by weighing its preference for expanding evidence-based practices against its interest in creating state savings. If the cost of these practices increases in future years, the administration could request that the Legislature increase the amount of funding available for implementing them accordingly.
- ***Establish Total Amount for Grant and Determine Allocation.*** The Legislature would need to establish the total amount it is willing to spend on additional grants for specific evidence-based practices and determine a county allocation formula. This amount could be set such that the two portions of the grant would be roughly similar to the amount provided in recent years or proposed by the Governor. One option for a formula allocation would be to base each county's maximum share of funds on the overall county felony supervision population. A county would then receive an award for each evidence-based practice it uses, up to this maximum.
- ***Establish Oversight for Use of Evidence-Based Practices.*** We recommend requiring BSCC, which is responsible for promoting effective state and local corrections efforts, to have an oversight role of the program. Specifically, BSCC would be required to audit counties to ensure compliance with the selected evidence-based practices and to ensure outcomes at the local level are regularly evaluated. The BSCC budget would have to increase to account for its new duties related to the grant. We estimate that this could require a few million dollars annually. We note that this amount could be paid from the state savings created by the program.
- ***Provide Interim Funding While Maintenance Payment for Specific Evidence-Based Practices Is Being Implemented.*** Because carrying out the steps above will take time, we recommend, for at least two years, providing the maintenance payment as proposed by the Governor, with the simple modifications we describe in the next section.

Alternatively, Consider Simple Modifications to Governor's Proposed Maintenance Payment. If the Legislature would prefer to implement a more permanent maintenance payment immediately, we recommend adopting the Governor's proposed maintenance payment with the two following revisions.

- ***Reject Proposed Growth Adjustment.*** Given that the growth adjustment is not based on actual increases in county costs and would result in less oversight in this area, we recommend the Legislature reject it. To the extent SB 678 grant awards are no longer keeping up with county costs to operate effective and efficient supervision programs, the administration could request increases based on actual costs in the future.
- ***Ensure Counties Use Evidence-Based Practices.*** Given that the Governor's proposal does not include changes to oversight of the program, we recommend tasking BSCC with ensuring counties use SB 678 grant awards for evidence-based practices. Counties found to be out of compliance could be provided with technical assistance to make the changes or risk losing SB 678 grant awards. The BSCC budget would have to increase to account for its new duties related to the grant. We estimate that this could require a few million dollars annually. This could be paid for by correspondingly reducing the amount available for grants.

3. Reject Minimum Guarantee Payment

Minimum Guarantee Payment Disconnects Awards From Performance. Because we find that the minimum guarantee payment disconnects awards from performance, we recommend rejecting this payment. This would maintain the incentive for improvement among counties with lower performance.

Staff Comment

This primary legislative goal for SB 678 was to provide a financial incentive to counties to reduce return to prison revocations of county supervised populations and to use evidence based interventions to further reduce recidivism and improve public safety. The proposed new formula essentially diminishes the incentive grant, from a nearly 100% performance based formula to an 11% performance based formula, and transforms the grant program to county probation maintenance program since 89% of the funding would be allocated regardless of a county's performance on improving public safety outcomes.

SB 678 was intended to also reduce corrections related costs to the state by incentivizing evidence based programs and return to prison admissions. Considering the projected out year budget deficits and the significant fiscal challenges facing the state's core programs, removing performance based measures does not align with supporting a fiscally responsible budget that would mitigate ongoing state budget challenges. As such, the Legislature may wish to consider adopting the LAO's recommendations and maintaining the original intention of SB 678.

Staff Recommendation: Hold Open.

0690 California Office of Emergency Services

Issue 3: Overview of the Fiscal Impact of Major Disasters on the State

The Legislative Analyst's Office (LAO) will provide a broad overview of how the state prepares for, responds to and recovers from major disasters. Following LAO's overview, Cal OES will provide an update on the 2025 Southern California Wildfires. And finally, Cal OES will provide broad overview on the costs of state's response to recent wildfires. What were the local, state and federal costs? How timely were federal reimbursements? Cal OES will provide information about 2025 Southern California recovery efforts, and the extent of federal reimbursement for the wildfire response and recovery efforts to date.

Panel

- Heather Gonzalez, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Tina Curry, Chief Deputy Director, Cal OES
- Eric Swanson, Deputy Director, Finance and Logistics Administration, Cal OES
- Tess Scherkenback, Staff Finance Budget Analyst, Department of Finance

Background

The California Office of Emergency Services (Cal OES) serves as the state's leadership hub during all major emergencies and disasters. The California Emergency Services Act provides that during a state or local emergency, Cal OES shall coordinate the emergency activities of all state agencies in connection with that emergency, and every state agency shall cooperate with Cal OES in providing all possible assistance. This also includes responding, directing, and coordinating federal resources and mutual aid assets across all regions to support communities across the state.

Cal OES also supports local jurisdictions and communities through planning and preparedness activities, training, and facilitating the immediate response to an emergency through the longer-term recovery phase. During this process, Cal OES serves as the state's overall coordinator and agent to secure federal government resources through the Federal Emergency Management Agency.

Current law requires Cal OES, in consultation with telecommunications carriers, the California cable and broadband industry, radio and television broadcasters, the California State Association of Counties, the League of California Cities, the access and functional needs community, appropriate federal agencies, and the Standardized Emergency Management System Alert and Warning Specialist Committee, to develop guidelines for alerting and warning the public of an emergency.

All disasters initially begin at the local level. A local public safety agency will be the first to respond to the initial event. If the response requires more resources than are available to the local public safety agency, then it will request assistance (mutual aid) from neighboring local governments. And if the local governments collectively lack sufficient resources to respond to the disaster, they will request assistance from the state to combat the disaster.

Due to extreme fire and windstorm conditions, the January 2025 Southern California Wildfires were numerous and spread out in Los Angeles and Ventura Counties, including the Palisades, Eaton, Hurst, Lidia, Sunset and Woodley Fires. In Los Angeles County, some fires were located within and under the jurisdiction of the City of Los Angeles. Others were in unincorporated areas and within the jurisdiction of the County of Los Angeles.

Pursuant to the California Emergency Services Act, on January 7, 2025, given the number and magnitude of these fires, Governor Gavin Newsom proclaimed a State of Emergency in Los Angeles and Ventura Counties and directed Cal OES to take charge of the response to the fires, bring in firefighting resources (mutual aid) from other parts of California, the federal government, other states and foreign countries.

The two largest fires were the Palisades Fire and the Eaton Fire. The Palisades Fire began in the Santa Monica Mountains of Los Angeles County on January 7, 2025 and quickly expanded to the Pacific Palisades, Topanga and Malibu. It burned over 23,000 acres and was ultimately contained after 24 days. The Eaton Fire also began on January 7, 2025. The fire began in Eaton Canyon in the San Gabriel Mountains and primarily impacted the unincorporated City of Altadena and portions of the City Pasadena. The Eaton Fire burned over 14,000 acres and destroyed over 9,000 structures.

The negative economic impact to California's economy is estimated to be in the tens of billions of dollars, including billions in lost revenue to local, state and federal governments. California is currently in the process of determining the financial costs in responding to and cleaning up these wildfires. Former President Joe Biden previously announced the federal government would cover 100% of the costs for California's initial response to and cleanup of the Southern California wildfires for the first 180 days.

Today's hearing will describe the state's approach to responding to disasters, the recovery process and identifying appropriate sources of funding to support these efforts. The hearing will primarily focus on Cal OES' role in coordinating the state's response to a disaster with other state agencies, local governments and the federal government, and its role in coordinating federal reimbursement for all eligible disaster response and recovery related costs.

Staff Recommendation: This item is presented for informational purposes.

Issue 4: Reappropriation of Law Enforcement Mutual Aid (LEMA) Funds

The budget proposes the reappropriation of $22 million General Fund with an extended encumbrance to June 30, 2029, to continue to financially support and assist local law enforcement agencies that are deployed by Cal OES through the Law Enforcement Mutual Aid (LEMA) System.

Panel

- Eric Swanson, Deputy Director, Finance and Logistics Administration, Cal OES
- Don O'Keefe, Chief of Law Enforcement, Cal OES
- Tess Scherkenback, Staff Finance Budget Analyst, Department of Finance
- Heather Gonzalez, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

Background

Prior to establishing the LEMA reimbursement program as a pilot program in the 2022-23 budget, local law enforcement agencies deployed, under California's Master Mutual Aid System, had to pay for their own costs for deployment. This is currently the final year of the pilot program. Given some delayed implementation and unspent funds, this budget proposal would allow Cal OES to continue the pilot program to expend funds for up to four more years.

LAO Comment

The LAO has raised a number of concerns regarding the continuation of the LEMA Assistance Fund pilot project. In its assessment of the proposal, the LAO has noted the following:

> ***Administration Seeks Additional Time in Pilot Phase.*** *The LEMA Assistance Fund was authorized as a three-year pilot project in 2022-23. As this is the third and final year of funding, typically this year would be when the Legislature would review it, assess performance, and then decide whether or not to provide ongoing funding. Given the slow start—but apparent increase in reimbursements this year—the administration is essentially asking to extend the pilot phase and give the program more time to mature.*
>
> ***Program Structure Might Not Align With Key Problem It Was Designed to Solve.*** *The LEMA Assistance Fund program has minimal statutory guidance on what its goals are, the problems it seeks to address, and how it should be structured. The Governor's two requests for the LEMA Reimbursement Fund—in 2022-23 and the current request—both state that prior to the establishment of the fund, the reimbursement process was lengthy. This created a problem for local law enforcement agencies, particularly those in smaller, rural communities, who found the long wait for reimbursement burdensome. However, the current program does not target funds only to agencies that would face fiscal difficulties from lengthy wait times. This means the Fund could support agencies that may not need it.*

> ***No Current Requirement to Provide Data on Outcomes.*** *There are no current requirements for OES to collect and provide data on outcomes the program is achieving. This is problematic as it will make it difficult for the Legislature to determine whether to approve this pilot program on an ongoing basis. For example, if the goal is to reduce the burden of lengthy reimbursement wait times, information on changes in wait times and how this has benefited local law enforcement would be necessary to determine whether these funds were having the intended effects.*

If the Legislature agrees to reappropriate the $22 million General Fund and extend the program to June 30, 2029, the LAO recommends that the Legislature adopt legislation specifying the goals of the program and also adopt budget bill language requiring Cal OES to provide outcome data so the Legislature can evaluate the programs performance.

If the Legislature denies the budget proposal, the LAO recommends that the Legislature should revert all unspent funds.

Staff Recommendation: Hold Open.

Issue 5: Update on Federal Support for Cal OES' Victims Services Grants (VOCA Funds)

Cal OES will provide an update on the likelihood of a significant decline in federal Victims of Crime Act (VOCA) funds for California victim services programs and the Cal OES' strategy for addressing the likely funding shortfall.

Panel

- Eric Swanson, Deputy Director, Finance and Logistics Administration, Cal OES
- Gina Buccieri-Harrington, Outgoing Assistant Director, Grants Management, Cal OES
- Tess Scherkenback, Staff Finance Budget Analyst, Department of Finance
- Heather Gonzalez, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

Background

The mission of the Cal OES Victim Services Program is to provide financial assistance and support to victim service providers to ensure all victims of crime in California receive the services they need by: (1) creating programs that are trauma-informed and victim centered; (2) providing timely technical assistance to grant subrecipients; and, (3) ensuring California complies with all federal grant requirements. Many of the awarded victim services grants are funded with federal VOCA funds which have been steadily declining over recent years. VOCA funding has been declining due to a decrease in the amount of money collected from fines and penalties imposed on federal offenders. As federal prosecution and penalties decrease, so does the amount of VOCA funding available for states.

For the 2024-25 state fiscal year, the state appropriated one-time $103 million General Fund to backfill lost federal VOCA funding in order to maintain victim services at same level as the previous year. A number of victim services advocates have calculated a $176 million VOCA funding shortfall for the 2025-26 budget year. However, more recent data shows an increase in penalty and fee collections. Although there may still be a VOCA funding shortfall, it may not be as high.

Staff Recommendation: This item is presented for informational purposes.

8940 California Military Department
0690 California Office of Emergency Services

Issue 6: Various Budget Proposals

The Department of Finance and the Legislative Office are available to answer questions from the Subcommittee on any of the following non-presentation items.

California Military Department

1. Consolidated Headquarters Staffing Phase 4. The Governor's Budget proposes two positions and $351,000 General Fund in 2025-26, with $347,000 ongoing, to enhance its capacity to effectively manage the facility systems at the Consolidated Headquarters Complex (CHQC). In 2023-24, an additional 18 positions were allocated for security and safety operations, along with three positions for Zero Net Energy activities. By October 2023, over 900 CMD staff had relocated to the CHQC campus and the CHQC leadership was able to finally analyze the effectiveness of its resources. In 2024-25, the CMD received seven positions and funding to address additional security and safety requirements and utility expenses. Although these resources have addressed CHQC's immediate security and safety needs, the operation of the complex is still challenged by gaps in maintaining the seven (7) facility systems. This proposal aims to address those deficiencies and ensure the efficient operation of the CHQC.

2. Cybersecurity Reimbursement Increase. The Governor's Budget proposes an increase of $8.8 million to its reimbursement authority for expanded use of Interagency Agreements (IAAs) to support the California Office of Emergency Services and the California Department of Technology, as well as to support increased workload to conduct Independent Security Assessments in support of state agencies, state universities and local government. This expansion is driven by new laws, legislative mandates, executive orders, and increased demand for CMD's cyber expertise. Over the past four years, CMD's cyber IAAs have increased from 2 to 13, significantly outpacing the existing reimbursement limits. This surge is due to the expansion of the California Cybersecurity Integration Center's responsibilities, the growth of State Operations Center's customer base, and the increasing need for skilled cybersecurity professionals.

3. Deferred Maintenance. The Governor's Budget proposes $4.8 million one-time General Fund in 2025-26 and provisional language that allows for a General Fund augmentation by an additional $6.3 million if CMD does not receive a federal match to address health-life safety issues at the Azusa, Sacramento-Okinawa, and Fresno-Hammer Field armories. CMD proposes to replace three HVAC systems in the following three armories: Azusa, Sacramento-Okinawa, and Fresno-Hammer Field. The HVAC replacements are currently in design within the Facilities directorate, with a complete design available by the spring of 2025. Currently, each armory is utilizing systems and supplies that are often failing, leaving areas of the armory without air conditioning for days at a time. This violates compliance with a number of American Society of Heating, Refrigerating, and Air-Conditioning Engineers codes. Additionally, these armories are out of compliance with California Building Code 2022, Chapter 12, which provides the minimum provisions for the interiors of buildings, including ventilation and space heating/cooling. These armories are unable to maintain appropriate temperature control due to failing HVAC systems and have permanently locked windows, resulting in heat trapping without proper ventilation.

4. Los Alamitos: Battalion Headquarters Readiness Center. The Governor's Budget proposes $750,000 from the Armory Fund to perform a planning study for a new Battalion Headquarters Readiness Center at the Joint Forces Training Base in Los Alamitos, California. The 1-160th Infantry Battalion's Headquarters & Headquarters Company (1-160 HHC) is currently located in the 70-year-old Inglewood Armory.

The new Readiness Center will be approximately 48,800 square feet and will support individual and collective training, administrative requirements and responsibilities, automation and communications, as well as the logistical requirements for the California Army National Guard specified to the 1-160 HHC. This new facility will provide sufficient space for a company-sized unit (approximately 187 service members). Total project costs are estimated at $59,850,000. These estimates are preliminary and determined by a Department of Defense system which is then collected onto a Department of Defense form 1390/91. Initial estimates include $750,000 Armory Fund for a study; $2,000,000 General Fund for preliminary plans; $2,100,000 General Fund for working drawings; and $55,000,000 ($13,750,000 General Fund and $41,250,000 federal funds). This budget proposal is being requested in advance with state funds to compete at the national level for Military Construction funds. If approved, the study will begin in July 2025 and be completed in May 2026. Preliminary plans would begin July 2027 and working drawings would begin in the following budget year. Construction would begin upon completion of working drawings and confirmation of a federal match.

5. Los Alamitos: STARBASE Classroom Building. The Governor's Budget proposes $419,000 General Fund for the continuation of the Los Alamitos: STARBASE Classroom Building Project. The mission of STARBASE is to increase the interest and improve the knowledge and skill of at-risk youth in science, technology, engineering, and mathematics (STEM) as well as to increase their self-esteem, respect for peers, and sense of responsibility. This project will address waiting lists by providing classroom space to accommodate 900 additional students annually.

Legislative Analyst's Office

The Legislative Analyst's Office provides the following analysis and recommendation regarding the STARBASE budget proposal:

Expanding STARBASE Los Alamitos Would Likely Come at a Cost to Baseline Service Levels in Other Programs. Given the state's current fiscal position—with a budget that is only roughly balanced in 2025-26 and notable deficits projected in the out-years—the state does not have capacity for projects that expand services, which this proposal is designed to do. As a result, the $5.5 million that would be required to construct the STARBASE Los Alamitos classroom building project in 2026-27 would likely require reduced spending from existing budget commitments. Accordingly, if the Legislature wants to pursue the project—but does not want to impact other programs—it may want to delay it to a time when the state has budget capacity.

Working Drawings Could Ultimately Go Unused. If construction is delayed for too long after the completion of working drawings, the working drawings may not be able to be reused. This is because construction codes change over time, which means that working drawings produced in one year may not meet building standards in a future year. Accordingly, the proposal puts the state at risk of unnecessarily funding working drawing that ultimately go unused. This would happen if the multiyear deficits facing the state result in the delay of the construction phase of the project to a time when the working drawings are no longer usable.

Recommendation

Reject Without Prejudice. We recommend that the Legislature reject this proposal without prejudice and reconsider constructing a classroom building to expand service at STARBASE Los Alamitos in the future when doing so will not likely come at the cost of existing budget commitments.

6. Office of the Staff Judge Advocate (OSJA). The Governor's Budget proposes $697,000 General Fund (GF) and three permanent positions in 2025-26 and $697,000 GF ongoing to meet the demands of significantly increased legal workload and reduce departmental risk and liability with public works, contracting, human resources and educational programs. The OSJA is the Legal Department of the CMD. It is responsible for handling both state and federal legal issues for the department. For federal issues, OSJA relies on a full-time legal staff of military attorneys (Judge Advocates) and military support staff. It can also leverage additional part-time Judge Advocates, placing them on full-time Military Orders when needed. Currently, OSJA staff consists of 23 licensed attorneys and 9 support staff. Of the 23 licensed attorneys, only one is a State Civil Service employee – an Attorney IV. This single attorney is currently responsible for all California-centric issues, including, but not limited to, conducting research, analyzing, and applying laws, interpreting court decisions and regulations, identifying other legal authorities, assessing legal risk to the State, and directly briefing the Executive Team on matters of legal import.

7. State Active Duty Pay Adjustment. The Governor's Budget proposes $4,064,000 ($1,891,000 General Fund, $1,990,000 Federal Trust Fund authority, $66,000 Mental Health Services Fund, and $117,000 Reimbursement authority) to align the pay and allowances of its State Active Duty employees to those of service members of similar grade in the federal armed forces, and to provide funding for increases for salary driven benefits. The CMD also requests that provisional language to allow for their budget to be augmented to cover increased pay rates which go into effect in 2025-26.

8. Task Force Rattlesnake. The Governor's Budget proposes $3,647,000 ongoing General Fund to address annual pay adjustments, cost of living based benefit stipends, and the increased costs of Industrial Disability Leave for Task Force Rattlesnake (TF-RS). TF-RS is a specialized program where the CMD partnered with CAL FIRE to form 14, full-time, year-round Type I Hand Crews. These crews are skilled in fire suppression and hazardous fuels reduction, playing a critical role in fire mitigation, fire and other emergency response efforts across California. Their work includes activities such as broadcast burning, hand and machine piling, and other vegetation disposal techniques, all aimed at protecting life, property, and public safety in alignment with state and federal Wildland Fire Fighting operations.

Staff Recommendation: Hold Open.

Office of Emergency Services

9. Mather: Headquarters Checkpoint Security Enhancements – Revert and Fund New. The Governor's Budget proposes to revert existing authority of $1,802,000 General Fund and replace it with $3,167,000 General Fund for the construction phase of the Mather: Headquarters Checkpoint Security Enhancement project, a net increase of $1,365,000. The project will install two permanent security checkpoints and upgrade the existing entryway gates at the North and West entrances of the Cal OES' main parking lot. Additional construction funding is required for supplemental site work based on a recent geotechnical report, additional escalation to avoid conflicts with other Headquarters projects, and associated staff costs that were recently identified during development of the working drawings.

Staff Recommendation: Hold Open.