

Public Safety Realignment Funding Allocation

LEGISLATIVE ANALYST'S OFFICE





Background

Realignment Funding for Felony Offenders^a			
<i>(In Millions)</i>			
	2012-13	2013-14	2014-15
Community Corrections Subaccount	\$843	\$999	\$934
Community Corrections Growth Special Account	87	64	160
Totals	\$930	\$1,063	\$1,094

^a 2013-14 and 2014-15 amounts represent estimated and projected allocations based on sales tax revenue projections as of January 2014.

- Public Safety Realignment.** In 2011, the state enacted a series of measures that realigned responsibility for managing certain lower-level felony offenders from the state to the counties.
- Realignment Funding for Counties.** The 2011 realignment legislation provided a portion of the state's sales tax revenues to counties to offset the cost of managing the realigned felony offenders. This funding is deposited in two accounts: the Community Corrections Subaccount (a set amount of sales tax revenue) and the Community Corrections Growth Special Account (any growth in sales tax revenues). As shown in the above figure, upon full implementation in 2014-15, almost \$1.1 billion will be allocated to counties from these accounts.
- Allocating Funds Among Counties.** The 2011 realignment legislation only specified the first-year allocation (2011-12) of realignment funding among counties. It requires the Department of Finance (DOF) to determine allocations after 2011-12. The DOF has asked the California State Association of Counties to create the subsequent allocation formulas.



2011-12 Allocation

- The 2011-12 allocation provided funding for the first nine months of realignment (October 2011 through June 2012).
- The three least populated counties were provided \$76,833 each and the largest county (Los Angeles) was provided \$112.6 million.
- A formula based on the following three factors was used to determine the allocations for the remaining counties.
 - **Caseload.** Sixty percent of each county's allocation was based on DOF's projection of the number of offenders the county would be responsible for upon full implementation of realignment.
 - **Population.** Thirty percent of each county's allocation was based on its population of adults ages 18 to 64.
 - **Felony Probation Performance.** Ten percent of each county's allocation was based on its performance under the grant program established by Chapter 608, Statutes of 2009 (SB 678, Leno). Each county's performance under SB 678 is measured by its ability to reduce the rate at which it incarcerates felony probationers.



2012-13 and 2013-14 Allocations

- Based on One of Several Formulas.** For the second and third year of realignment, each county (except Los Angeles, which was separately given an allocation of \$267.8 million in 2012-13 and \$317.3 million in 2013-14) received an allocation based on whichever of the following formulas benefitted it the most.
 - Double the county's 2011-12 allocation.
 - The 2011-12 formula with updated population and SB 678 performance data.
 - A caseload-driven formula based on the number of offenders the county would be responsible for upon full implementation of realignment as estimated by DOF in 2011.
 - A population-driven formula based on the county's population of adults ages 18 to 64.

- Adjusted Based on Available Funding.** A final adjustment is then made to some counties' allocations in order to ensure that the total allocation fits within the amount of available funding.

- Current Formula Sunsets at End of 2013-14.** The current funding formula is temporary and its expiration presents a critical time for the state to determine the future and ongoing funding formula.



Current Allocation Has Several Shortcomings

- ☑ ***Unclear Policy Rationale.*** Under the current methodology, the formula used to determine each county's allocation varies. For example, some counties' allocations are based on their population, while others are based on SB 678 performance. The result is that each county's allocation is based on whichever formula is most advantageous for that county rather than on a clear policy justification, such as variations in county caseload or performance.
- ☑ ***Unpredictable and Lacks Transparency.*** Because the total amount of funding available is fixed and each county's allocation is based on whichever formula results in the greatest allocation, some counties' allocations must be adjusted to fit within the total amount of funding available. As a result, it is impossible for a county to project what its future allocations would be if the formula remained in place. This limits the transparency of the process and makes it difficult for counties to plan for the future.
- ☑ ***Inflexible.*** The formula is largely based on projected caseload as estimated by DOF in 2011 rather than actual caseload. Accordingly, the allocation would not likely be sensitive to future changes affecting counties, such as increases in crime, if used in future years.
- ☑ ***Lacks Incentives.*** By allowing counties to choose from several formulas—including some that are not tied to outcomes—the current allocation method does not necessarily provide an incentive for counties to achieve outcomes that are consistent with legislative priorities.



Legislature Currently Not Involved in Determining Future Allocation Formula



Realignment Allocation Formula Has Important State Policy Implications. . .

- The design of the funding formula can place emphasis on certain measures to ensure sufficient funding and incentivize specific county actions.
- As a result, it impacts the success or failure of the realignment of felony offenders, as well as the state's ability to achieve certain policy goals (such as reducing recidivism among realigned offenders and complying with the federal court ordered prison population cap).



. . .But Current Process for Establishing Formula Excludes Legislature

- While existing state law requires DOF to specify a formula to be used for 2014-15, it does not require that the formula be approved by the Legislature. Thus, the administration currently has the authority to implement a new formula without legislative approval.
- At this time, the administration has not yet presented a new allocation formula for 2014-15. However, the administration has indicated that it will replace the current formula in the near future.



Issues for Legislative Consideration



Increased Legislative Oversight

- Given the state level policy implications, the Legislature may want to consider taking a larger role in determining the allocation formula.
- For example, the Legislature could amend state law to (1) require the use of a specific allocation formula, (2) direct DOF to incorporate certain factors or metrics into the formula, or (3) require DOF to submit its proposed formula for legislative approval prior to implementation.



Evaluation of New Allocation Formula

- In evaluating or developing a new funding allocation, we recommend that the Legislature consider the following:
 - **County Need.** Does the formula account for variations among counties in (1) their share of the total statewide population of realigned offenders and (2) their ability to provide county-level financing to manage such offenders?
 - **Predictability.** Is the formula predictable enough to allow counties to plan for the financing of new facilities and programs?
 - **Transparency.** Is the formula easily understood by stakeholders and the public?
 - **Flexibility.** Is the formula flexible enough to adapt to changing county needs (such as fluctuations in population and crime rates)?
 - **Incentives.** Does the formula encourage local decision-making that aligns with legislative priorities?



Options for Modifying Allocation Formula



Factors and Metrics. The first steps in developing an allocation formula are (1) deciding what factors to incorporate and (2) identifying the metrics that most accurately measure those factors. We recommend that the new allocation formula include factors related to:

- **Caseload.** To account for caseload, the formula could include metrics such as the number of offenders in each county who are sentenced under Penal Code Section 1170(h) and the number who are released to Post-Release Community Supervision.
- **Resources.** To account for variation in county resources, the formula could include a metric such as average per capita county income, which would assist counties with less local resources.
- **Performance.** To incentivize performance that is consistent with state policy priorities, the formula could include metrics that reward county success. For example, the formula could reward counties for reducing the rate of commitments to state prison per crime committed.
- We note that all of the above metrics are currently available. Additional metrics, such as the recidivism rates of realigned offenders, could be incorporated into future formulas as they become available.



Options for Modifying Allocation Formula

(Continued)

- Minimum Funding Levels for Small Counties.*** In order to avoid significant fluctuations in allocations for small counties, the formula could incorporate some minimum allocation level for such counties.

- Weighting of Factors.*** The final step in developing an allocation formula involves determining how much weight to assign to each of the selected factors. The weighting of the selected factors should reflect their relative importance, which could change over time. For example, the formula could initially assign relatively more weight to caseload but gradually shift the weighting towards performance in future years. This would allow counties that have historically relied heavily on the prison system to invest in recidivism reduction programs in the short term and then, in the long term, reward counties that are able to implement such programs effectively.