

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Oppose

BILL NUMBER: SB 467
AUTHOR: B. Dutton

BILL SUMMARY: Public Contracts: Prison Industry Authority

This bill would authorize state agencies and departments to award contracts for goods or services, totaling less than \$25,000, to California certified small businesses, microbusinesses, or disabled veteran business enterprises without seeking an exemption of the California Prison Industry Authority (PIA) mandate.

FISCAL SUMMARY

According to the California Department of Corrections and Rehabilitation (CDCR), this measure could generate a revenue loss up to \$101 million for the PIA, forcing the PIA to eliminate up to 3,000 inmate positions across 24 business lines. In addition to the elimination of inmate positions throughout the state, the loss of revenue could lead to a corresponding reduction in staff and expenditures within the PIA of up to 323 civil service positions and \$24.225 million (Prison Industries Revolving Fund) annually. The remainder of the revenue shortfall would have to be made up through some combination of drawing down the current fund balance, increasing prices, increasing General Fund expenditures, and additional expenditure reductions. The CDCR also indicates that this measure could result in additional General Fund costs of approximately \$15 million annually, assuming the CDCR seeks funding to replace the lost PIA programming slots with alternative vocational programming in order to provide other viable rehabilitative training and to maintain the day-for-day credit inmates earn when working for the PIA.

We note that to the extent no additional General Fund is provided to the CDCR to make up for the loss of inmate programs within the PIA, the state would see an increase in the inmate population based on the decrease in sentence credits generated by the reduction in inmate employment. Moreover, since the PIA does not receive an appropriation from the Legislature, there is cost avoidance to the CDCR for those inmates that program via the PIA. Finally, the CDCR indicates that inmates who participate in the PIA programs recidivate less than inmates in CDCR's general population. As such, we could also see an increase in revocations for a portion of the 3,000 inmates who would no longer be employed by the PIA. The additional state costs related to the loss of inmate credits and increased revocations cannot be estimated at this time, but are expected to be significant.

COMMENTS

The Department of Finance is opposed to this measure because it would generate costs to the General Fund by eliminating credit-earning programs for inmates.

Existing law:

- Authorizes the PIA to operate industrial, agricultural, and service enterprises that provide products and services to the state or other specified agencies.
- Requires state agencies to purchase PIA products, make maximum utilization of these products, and consult with the staff of the PIA to develop new products and adapt existing products to meet their needs.

Analyst/Principal (0234) K. Gmeinder	Date	Program Budget Manager Todd Jerue	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

B. Dutton

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO	PROP								
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011		
5225/Corr & Rehab	SO	No		----- See Fiscal Summary -----					0001	
1600/Misc Rev Tot	RV	No		--	U	\$0 - -50,500	U	\$0 - -101,000	0678	
5420/Prison Indus	SO	No		--	M	-\$12,113	M	-\$24,225	0678	
<u>Fund Code</u>	<u>Title</u>									
0001	General Fund									
0678	Prison Industries Revolving Fund									