

May 19, 2025

Honorable Scott D. Wiener, Chair
Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Honorable Anna M. Caballero, Chair
Senate Appropriations Committee

Honorable Buffy Wicks, Chair
Assembly Appropriations Committee

**Notification of Current Year Deficiency and Section 26.00 Request—California
Department of Corrections and Rehabilitation Intra-schedule Transfers**

This letter is to provide notification of a deficiency funding request from the California Department of Corrections and Rehabilitation (CDCR) and California Correctional Health Care Services (CCHCS). The department has overspent various appropriations as a result of structural and operational shortfalls and is requesting to remedy the deficiency by accessing unspent funds from prior years. Specifically, the Department requests a one-time reappropriation of \$357.8 million in 2024-25, including \$318.6 million in savings from the 2022 Budget Act and \$39.3 million from the 2023 Budget Act.

The proposed Governor's Budget addressed some of the structural shortfalls contributing to the current year deficiency, such as ongoing funding for workers' compensation, food for the incarcerated population, and overtime costs. These augmentations, coupled with other operational improvements identified in the May Revision, are expected to address these costs prospectively.

In addition, to align costs with actual spending by program, and pursuant to the provisions of Section 26.00, Budget Act of 2024, the Department requests a net-zero transfer of \$61.2 million between programs as described below. Pursuant to the provisions of Section 26.00:

Item 5225-001-0001

CDCR requests to transfer the following amounts totaling \$31,250,000 from the schedules specified below to Schedule (4) 4530-Adult Corrections and Rehabilitation Operations-General Security:

- \$7,000,000 from Schedule (2) 4505-Peace Officer Selection and Employee Development
- \$250,000 from Schedule (5) 4540-Adult Corrections and Rehabilitation Operations-Inmate Support

- \$20,000,000 from Schedule (7) 4555-Parole Operations-Adult Supervision
- \$4,000,000 from Schedule (9) 4565-Parole Operations-Adult Administration

The projected shortfall in Program 4530-General Security is primarily driven by lump sum retirement payouts, workers' compensation, and overtime.

Item 5225-002-0001

CCHCS requests to transfer the following amounts totaling \$30,000,000 from the schedules specified below to Schedule (1) 4650-Medical Services-Adult:

- \$2,000,000 from Schedule (2) 4655-Dental Services-Adult
- \$25,000,000 from Schedule (3) 4660-Mental Health Services-Adult
- \$3,000,000 from Schedule (5) 4670-Dental and Mental Health Services Administration-Adult

The projected shortfall in Program 4650-Medical Services-Adult is driven by increases in the per capita cost of contract medical.

The requested transfers exceed the limits of Section 26.00 subdivision (c) and are necessary to fund increased costs incurred within the General Security and Adult Medical Services programs.

Finance concurs with the necessity of this change to the approved budget and will be approving the Section 26.00 request not sooner than 30 days from the above date.

Attached you will find the requests submitted by CDCR and CCHCS, along with suggested provisional language to effectuate the requested reappropriations.

If you have any questions or need additional information regarding this matter, please call Lynne Ishimoto, Anthony Franzio, or Ryan Weinberg, Principal Program Budget Analysts, at (916) 445-8913.

JOE STEPHENSHAW

Director

By:



ERIKA LI

Chief Deputy Director

Attachment

cc: On following page

cc: Honorable James Ramos, Chair, Assembly Budget Subcommittee No. 6
Honorable Laura Richardson, Chair, Senate Budget and Fiscal Review
Subcommittee No. 5
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review
Committee
Honorable Heath Flora, Vice Chair, Assembly Budget Committee
Gabriel Petek, Legislative Analyst
Elisa Wynne, Staff Director, Senate Budget and Fiscal Review Committee
Kirk Feely, Fiscal Director, Senate Republican Fiscal Office
Christopher W. Woods, Senate President pro Tempore's Office
Christian Griffith, Chief Consultant, Assembly Budget Committee
Joseph Shinstock, Fiscal Director, Assembly Republican Caucus, Office of Policy
and Budget
Paul Dress, Caucus Co-Chief of Staff, Assembly Republican Leader's Office
Katja Townsend, Capitol Director, Assembly Republican Leader's Office
Jason Sisney, Assembly Speaker's Office
Mark McKenzie, Staff Director, Senate Appropriations Committee
Jay Dickenson, Chief Consultant, Assembly Appropriations Committee
Jeffery Macomber, Secretary, California Department of Corrections and
Rehabilitation
Tammy Foss, Undersecretary, Operations, California Department of Corrections
and Rehabilitation
Jennifer Barretto, Undersecretary, Administration, California Department of
Corrections and Rehabilitation
Diana Toche, Undersecretary, Health Care Services, California Department of
Corrections and Rehabilitation
Stacy Lopez, Director, Division of Administrative Services, California Department of
Corrections and Rehabilitation
Cynthia Mendonza, Deputy Director, Budget Management Branch, California
Department of Corrections and Rehabilitation
Chelsea Standish, Associate Director, Budget Management Branch, California
Department of Corrections and Rehabilitation
J. Clark Kelso, Receiver, California Correctional Health Care Services
Lara Saich, Director, Health Care Policy and Administration, California
Correctional Health Care Services
Duane Reeder, Deputy Director, Fiscal Management Section, California
Correctional Health Care Services
James Cavasos, Assistant Deputy Director, Fiscal Management Section, California
Correctional Health Care Services

OFFICE OF FISCAL SERVICES

1515 S Street, Room 510-S
Sacramento, CA 95811 - 7243



May 15, 2025

Ms. Amy Jarvis
Program Budget Manager
Corrections and General Government Unit
Department of Finance
915 L Street, 8th Floor
Sacramento, CA 95814

Section 26.00 – Fiscal Year 2024-25 Budget Revision, Program Realignment for Budget Item 5225-001-0001 and 5225-002-0001.

Pursuant to the provisions of Section 26.00, 2024 Budget Act, the California Department of Corrections and Rehabilitation (CDCR) and the California Correctional Health Care Services (CCHCS) respectfully submits a budget revision to realign funds between programs. This Budget Revision is necessary to align program funding with anticipated expenditures.

Item 5225-001-0001

The Department requests a transfer of \$7.0 million from Program 4505, \$250,000 from Program 4540, \$20.0 million from Program 4555 and \$4.0 million from Program 4565 to Program 4530 for a total of \$31.3 million. This revision would offset the projected shortfall in Program 4530 for the Adult Corrections and Rehabilitation Operations - General Security. The projected shortfall in Program 4530 – General Security is driven by lump sum retirement payouts, underfunded Other Post Employment Benefits (OPEB), Workers' Compensation, and Overtime. The projected surpluses in Programs 4505, 4540, 4555 and 4565 are driven primarily by salary savings.

Program	Funding Movement
Peace Officer Selection and Employee Development (4505)	(\$7,000,000)
Adult Corrections and Rehabilitation Operations - General Security (4530)	\$31,250,000
Adult Corrections and Rehabilitation Operations - Inmate Support (4540)	(\$250,000)
Parole Operations - Adult Supervision (4555)	(\$20,000,000)
Parole Operations - Adult Administration (4565)	(\$4,000,000)

Item 5225-002-0001

The California Correctional Health Care Services requests a transfer of \$2.0 million from Program 4655, \$25.0 million from Program 4660 and \$3.0 million from Program 4670 to Program 4650 for a total of \$30.0 million. This revision would offset a portion of the projected shortfall in Program 4650 for the Medical Services – Adult. The projected shortfall in Program 4650 – Medical Services – Adult is driven by an increase in the per capita cost of contract medical. The projected surpluses in Programs 4660 and 4670 are driven primarily by salary saving, while the projected surplus in Program 4655 is primarily driven by the delayed purchasing of equipment.

Section 26.00 – Fiscal Year 2024-25 Budget Revision

Ms. Amy Jarvis

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Program	Funding Movement
Medical Services – Adult (4650)	\$ 30,000,000
Dental Services – Adult (4655)	(\$ 2,000,000)
Mental Health (MH) Services – Adult (4660)	(\$ 25,000,000)
Dental & MH Services Admin – Adult (4670)	(\$ 3,000,000)

If you have any questions for CDCR, please contact John Wesseling, Staff Services Manager III at (916) 790-7193.


If you have any questions for CCHCS, please contact Duane Reeder, Deputy Director, Fiscal Management Section, at (916) 691-6584.

Sincerely,

Signed by:

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Diana L. Toche, D.D.S.
 Undersecretary Health Care Services

DocuSigned by:

 D60EE386F4EA419...

Stacy L. Lopez
 Director, Division of Administrative Services

cc: Jeff Macomber, Secretary, California Department of Corrections and Rehabilitation
 J. Clark Kelso, Receiver California Correctional Health Care Services
 Jennifer Barretto, Undersecretary, Administration
 Lara Saich, Director, Health Care Policy and Administration
 Cynthia Mendonza, Deputy Director, Office of Fiscal and Business Services
 Chelsea Standish, Associate Director, Budget Management Branch
 Duane Reeder, Deputy Director, Fiscal Management Section
 James Cavasos, Assistant Deputy Director, Fiscal Management Section
 John Wesseling, Staff Services Manager III, Budget Management Branch
 Jeffrey Elam, Staff Services Manager III, Budget Management Branch
 Kristin Drummond, Staff Services Manager III, Budget Management Branch
 Kimberly Harbison, Assistant Program Budget Manager, Department of Finance
 Lynne Ishimoto, Principal Program Budget Analyst, Department of Finance
 Ryan Weinberg, Principal Program Budget Analyst, Department of Finance
 Anthony Franzioia, Principal Program Budget Analyst, Department of Finance

STD. 26 (Rev. 1/2023)

SEE SAM SECTION 6500, ET SEQ. FOR INSTRUCTIONS

REQUESTED BY		RECOMMENDED BY <i>(Department)</i>		APPROVED BY <i>(Dept. of Finance)</i>	
NAME Duane Reeder <div><div>DocuSigned by: Duane Reeder 8EE036235F094129...</div></div>		NAME Diana L. Toche, D.D.S. <div><div>Signed by: Diana Toche D7A187ABAE614C1...</div></div>		NAME Kimberly Harbison	
TITLE Deputy Director	DATE 05/15/25	TITLE Undersecretary, HC Services	DATE 05/15/25	TITLE Assistant Program Budget Manager	DATE 5/15/2025

2024-25 Ref 001 - General									
Program	Description	Authority ¹	2024-25 Surplus/Deficit	Reappropriation From 2022-23 001-0001 To 2024-25 001-0001	Reappropriation From 2022-23 008-0001 To 2024-25 001-0001	Reappropriation From 2022-23 002-0001 To 2024-25 002-0001	Reappropriation From 2023-24 008-0001 To 2024-25 001-0001	Section 26	2024-25 Total Surplus/Deficit
4500	Administration	\$ 667,743,000	\$ (6,489,000)	\$ 5,000,000			\$ 5,000,000		\$ 3,511,000
4505	Peace Officer Selection and Employee Development	\$ 121,609,000	\$ 7,404,000					\$ (7,000,000)	\$ 404,000
4510	Dept of Justice - Legal Services	\$ 73,024,000	\$ (829,000)	\$ 829,000			\$ 250,000	\$ -	\$ 250,000
4530	Adult Corrections & Rehab Ops - Gen Security	\$ 4,687,404,000	\$ (230,899,000)	\$ 130,000,000	\$ 50,000,000		\$ 26,000,000	\$ 31,250,000	\$ 6,351,000
4540	Adult C&R Ops - Inmate Support	\$ 1,286,122,000	\$ 343,000				\$ 5,000,000	\$ (250,000)	\$ 5,093,000
4550	Adult C&R Ops - Inst Admin	\$ 568,810,000	\$ (8,496,000)		\$ 8,000,000		\$ 2,000,000		\$ 1,504,000
4555	Parole Ops - Supervision	\$ 351,475,000	\$ 21,771,000					\$ (20,000,000)	\$ 1,771,000
4560	Parole Ops - Adult Comm Based Prog	\$ 98,486,000	\$ (794,000)		\$ 750,000		\$ 1,000,000	\$ -	\$ 956,000
4565	Parole Ops - Adult Admin	\$ 80,698,000	\$ 4,899,000					\$ (4,000,000)	\$ 899,000
4570	CA Sex Offender Mgmt Board	\$ 951,000	\$ (9,000)		\$ 9,000		\$ 5,000		\$ 5,000
TOTAL		\$ 7,936,322,000	\$ (213,099,000)	\$ 135,829,000	\$ 58,759,000	\$ -	\$ 39,255,000	\$ -	\$ 20,744,000

2024-25 Ref 002 - Medical/Dental/Mental/Pharmaceutical									
Program	Description	Authority ¹	2024-25 Surplus/Deficit	Reappropriation From 2022-23 001-0001 To 2024-25 001-0001	Reappropriation From 2022-23 008-0001 To 2024-25 001-0001	Reappropriation From 2022-23 002-0001 To 2024-25 002-0001	Reappropriation From 2023-24 008-0001 To 2024-25 001-0001	Section 26	2024-25 Total Surplus/Deficit
4650	Medical Services - Adult	\$ 2,631,447,000	\$ (143,653,382)			\$ 115,000,000		\$ 30,000,000	\$ 1,346,618
4655	Dental Services - Adult	\$ 178,775,000	\$ 2,276,294			\$ -		\$ (2,000,000)	\$ 276,294
4660	Mental Health Services - Adult	\$ 692,554,000	\$ 25,526,564			\$ -		\$ (25,000,000)	\$ 526,564
4665	Ancillary Health Care Services - Adult	\$ 414,788,000	\$ (8,394,071)			\$ 9,000,000		\$ -	\$ 605,929
4670	Dent & Ment Hlth Services Admin - Adult	\$ 72,309,000	\$ 3,453,819			\$ -		\$ (3,000,000)	\$ 453,819
TOTAL		\$ 3,989,873,000	\$ (120,790,776)	\$ -	\$ -	\$ 124,000,000	\$ -	\$ -	\$ 3,209,224

FOR REFERENCE - Ref - 008 Rehabilitative Programs			
Program	Description	Authority ¹	2024-25 Surplus/Deficit
4560	Parole - Adult Community-Based	\$ 113,810,000	\$ 1,351,000
4585	Adult Educ, Voc & Off Prog - Adult Educ	\$ 258,848,000	\$ 7,350,000
4590	Adult Educ, Voc & Off Prog - Adult Subst Abuse ²	\$ 295,333,000	\$ 65,291,000
4600	Adult Educ, Voc & Off Prog - Adult Admin	\$ 29,187,000	\$ 1,241,000
TOTAL		\$ 697,178,000	\$ 75,233,000

¹ Reflects 2024 Budget Act and current year adjustments (Employee Compensation, Retirement, 4.05 and 4.12 Efficiencies).

² Large surplus associated with rolling funding through June 30, 2027 to support community reentry expansion.

CDCR BB Jr. – Draft Language

5225-49X – Reappropriation, Department of Corrections and Rehabilitation. \$58,759,000 of the appropriation provided in Item 5225-008-0001, Budget Act of 2022 (Chs. 43, 45, and 249 Stats. 2022) is reappropriated to support inmate and parolee rehabilitation programs until June 30, 2025. At such time, any unencumbered balances remaining from the \$58,759,000 reappropriated by this item may be transferred to and in augmentation of Item 5225-001-0001, Budget Act of 2024 (Chs. 22, 35, and 994, Stats. 2024) upon order of the Department of Finance.

5225-49X – Reappropriation, Department of Corrections and Rehabilitation. \$39,255,000 of the appropriation provided in Item 5225-008-0001, Budget Act of 2023 (Chs. 12, 38, and 189, Stats. 2023) is reappropriated to support inmate and parolee rehabilitation programs until June 30, 2025. At such time, any unencumbered balances remaining from the \$39,255,000 reappropriated by this item may be transferred to and in augmentation of Item 5225-001-0001, Budget Act of 2024 (Chs. 22, 35, and 994, Stats. 2024) upon order of the Department of Finance.

5225-49X – Reappropriation, Department of Corrections and Rehabilitation. The amount specified in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2025:

0001 – General Fund

- (1) \$135,829,000 in Item 5225-001-0001, Budget Act of 2022 (Chs. 43, 45, and 249).
- (2) \$124,000,000 in Item 5225-002-0001, Budget Act of 2022 (Chs. 43, 45, and 249).