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June 17, 2025

Mr. Joe Stephenshaw, Director
Department of Finance
1021 O Street, Suite 3110
Sacramento, California 95814

Dear Mr. Stephenshaw:

In a letter dated May 19, 2025, you notified the Joint Legislative Budget Committee that various programs within the California Department of Corrections and Rehabilitation (CDCR) budget face deficits totaling \$395 million General Fund in 2024-25. To address these deficits, you proposed two different categories of actions. First, you propose to reappropriate a total of \$357.8 million in unspent General Fund resources from the 2022-23 and 2023-24 budgets to 2024-25. Second, the letter indicated that you intend to approve a request to transfer \$61.2 million General Fund within the CDCR budget pursuant to Section 26.00 of the 2024-25 Budget Act. Overall, the reappropriation and Section 26.00 transfers would fully cover the projected deficit, plus provide CDCR with \$24 million in additional funding as a buffer should the deficits be higher than projected.

Frankly, I am shocked and disappointed that CDCR has overspent its budget by such a significant amount. As the state grapples with a \$12 billion General Fund shortfall, requiring us to make huge cuts to health care and social service programs, CDCR overspent by nearly \$400 million. These were dollars that could have been used to provide basic services to some of our most underserved communities. While this year's budget included measures requiring departments to "tighten their belts" and reduce state operating expenses by up to 7.95 percent, CDCR did the opposite, and overspent by nearly three percent. The fact that the Administration lacks the fiscal oversight to ensure one of its largest departments is operating within its means is problematic.

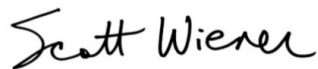
Over the long-term, I have significant concerns about what this deficit means for the future trajectory of CDCR's budget and how that affects the state's overall General Fund budget condition. The Legislative Analyst's Office informs me that some amount of the deficit appears to be driven by recent reductions to CDCR's budget that were not matched with corresponding reductions in actual costs. For example, the administration reports that lump sum retirement payout costs in 2024-25 were roughly the same or even

lower than prior years. In the past, CDCR paid for these and other costs using vacant position savings. However, CDCR vacant positions have been reduced in recent years through prison facility deactivations (as staff at the deactivated prisons relocate to fill vacancies elsewhere) and Control Section 4.12 of the 2024-25 Budget Act (which required CDCR to eliminate numerous vacant positions). Accordingly, vacant position savings that traditionally covered costs such as lump sum retirement payouts are no longer available.

The administration has proposed new dedicated funding in 2025-26 and ongoing to address some costs (such as growth in food costs) previously covered with vacant position savings. However, in other cases, such as for lump sum retirement payouts, there is no proposed new dedicated funding. Accordingly, if unaddressed, deficits driven by such costs will likely persist. These deficits could create new cost pressures for the General Fund in years when the state likely will already be facing fiscal challenges. Given the likely persistence of these deficits, it is imperative that the administration act swiftly and transparently to align CDCR's actual costs with its budget.

Over the past two decades, the Legislature has made it a priority to reduce spending on the correctional system and adopt measures that shrink the prison pipeline. The Legislature has prioritized funding for inmate services and rehabilitative programs in order to reduce recidivism and it is disheartening to see those funds used to help address the deficiency instead of implementing other cost-saving measures. For these reasons, I do not concur with the request to transfer \$61.2 million General Fund pursuant to Section 26.00 and expect the Administration to address the deficiency through the budget process.

Sincerely,

A handwritten signature in black ink that reads "Scott Wiener". The signature is written in a cursive, flowing style.

Scott Wiener
Chair

cc: Members of the Joint Legislative Budget Committee