



## Californians United for a Responsible Budget

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### Who is paying for jail construction in California?

For a California County to receive jail construction funding the following three things need to happen: 1) The Sheriff's Department has to obtain approval from the County Board of Supervisors to submit an Adult Local Criminal Justice Facilities Proposal to the Board of State and Community Corrections (BSCC). 2) The BSCC has to award the county state funding which is divided out in different amounts based on county population size. 3) The County Board of Supervisors has to approve the jail construction plan, 5-10% of the construction costs, and the operational funding to manage the new facility.

#### State Funding Sources for Jail Construction

##### **AB 900**

The bill authorizes the state to borrow \$7.4 billion using revenue bonds to build 53,000 new prison and jail beds without voter approval. The Department of Corrections and Rehabilitation budget, in the 2012-13 budget, eliminated \$4.1 billion of these Lease Revenue Bonds, ensuring that Californians do not accumulate \$4.7 billion more in debt for the construction of more prison and jail cells. This still left approximately \$2 billion of AB 900 funds available to expand California's bloated prison system, many of which were used to build the new prison in Stockton.

##### **SB 1022**

The bill authorizes the state to borrow \$500 million and to distribute the money to local governments to build, expand or "renovate" their jails and programming facilities.

- Large Counties - \$80 million
- Medium Counties - \$40 million
- Small Counties - \$20 million

#### How Jail Construction Impacts Your County Budget

*New County Debt - What is the county expected to contribute for construction?*

- Counties must match a minimum of 5-10 percent of the total construction project costs as the county contribution.
- County contribution can come from the county's general fund and/or county voter approved taxes.
- Additionally, each county will have to pay for operational costs. For example in San Mateo County the jail will cost at least \$160 million to construct, it will cost at least \$30 million a year to operate, and thousands more in county debt for decades to come.

#### How Jail Construction Impacts the State Budget

The state borrows the money and then promises to repay lenders (people who purchase bonds) with interest over seven or more years. Two types of bonds are used to build a prison:



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- A General Obligation Bond (GOB): Loan that voters must approve by 2/3 consensus. The loan is guaranteed to be re-paid by “full faith and credit” of the state, residents of California agree to be taxed to pay the loan.
  - Hasn’t been used in 20 years because of voters lack of approval
- A Lease Revenue Bond (LRB): Loan made to the state that is repaid by income (or “revenue”) generated by the project. The state mandates that the Department of Public Works builds the prison and incurs the debt, while the Department of Corrections & Rehabilitation generates “revenue” to repay the debt.
  - LRBs are used without voter approval; politicians do not need majority consensus to use LRBs.
  - The interest California pays on bonds varies according to the state of the bond market when the bonds are sold. However, it will cost about twice the face value of a bond to repay it (ex: if you borrow \$810 billion to build 2,400 in-fill beds, it will cost about \$1.62 billion to repay that debt)

In the case of California prison construction, this “revenue” is simply a transfer of money between two government agencies and all the money comes from the General Fund - California tax dollars.

### **State Funding Sources for Rehabilitation, Alternative Programming and/or Corrections**

#### **AB109**

The bill shifts the responsibility for incarcerating many low-risk prisoners from state to counties, allocating \$5 billion the first year and continuously increasing the spending every year since. AB 109 provided a dedicated and permanent revenue stream to the counties through Vehicle License Fees and a portion of the State sales tax. In November 2012, California voters passed Governor Brown’s Proposition 30, which created a Constitutional Amendment prohibiting the Legislature from reducing or removing Realignment funding to the counties. AB 109 funding can be used for rehabilitation, alternative programming, and/or corrections. In each county the majority of this funding is going to the Sheriff and Probation Departments.

#### **How does the state plan to pay for this?**

- Vehicle License Taxes: \$354.3 million from Vehicle License Tax dedicated to realignment (**SB 89**)
- State Sales Tax: 1.0625% of the state sales tax rate to be deposited to Local Revenue Fund (**AB 118**)
- One time appropriation of \$25 million per county to cover costs associated with hiring, retention, training, etc. (**SB 87**)
- Additional provisions made under (**AB 94, AB 111 and AB 118**)