

## LAO Rejects Gov's Plan to Cut Prop. 36 Budget

- *Warns of Legal Risks in Funding Prop. 36 Through "OTP" Fund*
- *LAO's New Savings Estimates: \$205m and \$297m in Years 2 & 3*

In a budget analysis released February 21, 2007, the Legislative Analyst's Office warns that the governor's proposal to cut \$25 million from Prop. 36-related drug treatment budgets "would probably eventually result in increased prison costs at least proportional to the amount of any reduction." The LAO report also:

- **Reveals new Prop. 36 savings estimates – \$675 million net savings over first 3 years:** LAO independently estimates that Prop. 36 saved the state a net \$205 million in FY 2002-03, the program's second year, and another \$297 million in 2003-04, its third year. UCLA researchers had reported in 2006 that the program saved \$173.3 million in the first year. Combining these findings, total state savings exceeded \$1 billion the first three years, with a *net savings* of at least \$675 million after the state spent \$420 million for three years' worth of operations. UCLA has shown that total savings increase each year due to the long-term positive impacts of treatment.
- **Recommends against any cuts, suggests \$120m in Prop. 36 Trust Fund and \$25m in new "OTP" program fund.** LAO differs from the governor's proposal to fund Prop. 36 treatment largely or exclusively through the newly created "Offender Treatment Program" (OTP) fund. Instead, LAO recommends that the Legislature do exactly as it did last year, dividing \$145 million between two funds, with the vast majority in the Substance Abuse Treatment Trust Fund (SATTF) created by the ballot measure.
- **Warns of legal risks to funding Prop. 36 through OTP.** The governor threatens to transfer all Prop. 36-related treatment funding from the SATTF created by the ballot measure to the new OTP fund in his May Revisions. LAO warns that "funding Proposition 36 programs through OTP and providing no funding for SATTF may be open to legal challenges." LAO advises that an opinion be sought from Legislative Counsel before any move to transfer all funds to OTP, which would require county matching