

Evaluation of the Substance Abuse and Crime Prevention Act

Division of SACPA Cost Offsets Between State and Counties

SACPA COST ANALYSIS REPORT (First and Second Years)

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UCLA

University Of California Los Angeles



Integrated Substance Abuse Programs

Background

At the request of the California Alcohol and Drug Programs, UCLA divided the cost offsets reported in “Evaluation of the Substance Abuse and Crime Prevention Act: Cost Analysis Report” between those that affect state expenditures and those that affect county expenditures (see Tables 1 and 2). Due to time and information limitations, our allocation of costs between the state and counties is, of necessity, approximate. A more definitive allocation would require more information on revenue collection and changing spending practices. This report intended to provide a useful starting point for discussion.

The cost analysis report identified per-offender cost outcomes in eight domains: prisons, jails, probation, parole, arrest and convictions, drug treatment, healthcare, and taxes paid (the lattermost is offset against costs). The values reported in Tables 1 and 2 do not reflect actual dollars spent in each domain by the state and by counties. The cost offsets are based on a difference-in-differences model. As such, the values reported reflect additional costs (or reduced costs) by state and counties, compared with what would have been expected had SACPA not been implemented. The values reported correspond to cost-outcome changes applying to the first cohort of SACPA-eligible offenders (i.e., all those convicted of a SACPA-eligible crime between July 1, 2001 and June 30, 2002). First we will discuss changes based on 12-month followup and followback periods. We did this in order to respond to a request to provide information based on the 12 month timeframe that is important for the budget process. Second, we will discuss changes based on a 30-month followback and followup period both in order to maintain consistency with the Cost Analysis Report released on April 5, and also to provide information on the evolution of savings and costs beyond the initial 12-month period.

Costs over a Twelve-Month Period

The cost offsets presented in Table 1 exclude any county expenditure on privately funded treatment for SACPA-eligible offenders and any expenditure on SACPA-related programming that fall outside of the eight cost domains (e.g., foster-care services).

Counties incurred costs associated with new arrests and convictions of \$34 million for offenders convicted during SACPA's first year. Counties saved \$95.8 million on jail for SACPA offenders. Due to overcrowding of jails in many counties, counties may not realize jail savings over the short term if jail space made available by reduced jail stays among SACPA offenders is filled with non-SACPA offenders, or if there are increases in the average time served in jail for equivalent sentences. That is, while there was a real savings due to reduced jail incarceration among SACPA participants, to the extent that the jail capacity freed up by SACPA was filled by offenders who were incarcerated for other offenses, this represents a policy decision at the county level to essentially immediately reallocate these jail savings for other purposes. Increased incarceration of non-drug offenders may have far reaching implications which result in additional savings, but the measurement and consequences of these practices were well beyond the scope of our completed cost benefit analyses.

The state incurred additional costs for substance-abuse treatment, probation, parole, and healthcare of SACPA offenders. The state benefited from a slight increase in taxes collected of \$1.5 million and reaped savings due to reduced prison costs for the SACPA-eligible population of \$115.8 million. However, due to serious overcrowding in state prisons, the state may not realize these prison savings over the short term if prison space made available by reduced prison stays among SACPA offenders is filled with non-SACPA offenders or if there are increases in terms served by non-drug felons. That is, as was the case with jail costs, while there was a real savings due to reduced prison incarceration among SACPA participants, to the extent that the prison capacity freed up by SACPA was filled by offenders who were incarcerated for other offenses, this represents a policy decision at the state level to essentially immediately reallocate these savings for

other purposes. Preliminary analyses suggest that increased incarceration of non-drug offenders may have far reaching implications which result in additional savings, but the measurement and consequences of these practices were well beyond the scope of our cost benefit analyses.

Overall, the state benefited from cost offsets due to SACPA more than counties did. While both the state and counties benefit from substantial reductions in incarceration costs, counties incurred a significant increase in costs due to new arrests and convictions among SACPA-eligible offenders. Of the twelve-month savings reported in the annual cost report, \$83 million accrue to the state and \$61 million accrue to counties., with a cost increase of \$3 million to the federal government¹.

¹ The federal government may have seen additional costs or savings in other domains such as federal penitentiaries and federal income taxes. However, the analysis of these effects on federal funding was beyond the scope of our analyses.

Table 1. Division of Cost Offsets between State and County (12- month followup)

<u>Module</u>	<u>Total</u>	<u>State</u>	<u>County</u>
Cost Savings			
Prison	115,763,311	115,763,311	—
Jail ^a	95,801,995	—	95,801,995
Cost Increases			
Arrest and convictions	34,192,995	—	34,192,995
Probation ^b	2,957,232	2,957,232	—
Parole	123,218	123,218	—
Substance-abuse treatment	27,785,659	27,785,659	—
Healthcare ^c	6,037,682	3,018,841	—
Tax Revenues			
Increased taxes ^e	1,453,124	1,453,124	—

^a Excludes costs for those parole violators who spend time in county jails rather than CDC facilities. The state reimburses counties for these costs.

^b This is regarded as a state cost because the state allocates a portion of SACPA funds for the purposes of supervision. However, prior to SACPA, these costs were paid for at the county level, and if SACPA funding is removed, these costs would return to the county level. There is variation in county participation in this cost, with some counties reporting that they have contributed additional county funds. This could not be incorporated into this analysis at this time.

^c Healthcare cost increases were divided between state and federal sources. \$3 million of the additional \$6 million dollars in healthcare expenses were funded by the federal government.

^d Due to the short time frame available for this analysis combined with variations in tax rates across counties, we were not able to separate changes in county sales taxes from taxes collected by the state. However, the portion of the change in tax revenues between the comparison and SACPA groups represents a small percentage of the relatively modest total change in revenue stated here. Therefore, any change in county tax revenues are clearly negligible within the context of the much larger costs and savings produced by SACPA in other domains.

Costs Over a Thirty-Month Period

Following the same first-year SACPA offenders for thirty months we find that cost-offset savings to the counties fall substantially as jail savings are offset by costs associated with arrest and convictions. Table 2 reports cost-outcome changes applying to the first cohort of SACPA-eligible offenders (i.e., all those convicted of a SACPA-eligible crime between July 1, 2001 and June 30, 2002), with thirty-month followup and followback periods.

Counties incurred additional arrests and convictions costs of \$81.7 million for offenders convicted during SACPA's first year. Counties saved \$94.3 million on jail incarceration for SACPA offenders. Due to overcrowding of jails in many counties, counties may not realize jail savings over the short term. That is, while there was a real savings due to reduced jail incarceration among SACPA participants, to the extent that the jail capacity freed up by SACPA was filled by offenders who were incarcerated for other offenses, this represents a policy decision at the county level to essentially immediately reallocate these jail savings for other purposes. Increased incarceration of non-drug offenders may have far reaching implications which result in additional savings, but the measurement and consequences of these practices were well beyond the scope of our completed cost benefit analyses.

The state incurred additional costs for substance-abuse treatment, probation supervision, and healthcare costs for SACPA-eligible offenders. The state benefited from significant savings due to reduced prison costs for the SACPA-eligible population (\$218.5 million). Due to serious overcrowding in state prisons, the state may not realize these prison savings over the short term. That is, as was the case with jail costs, while there was a real savings due to reduced prison incarceration among SACPA participants, to the extent that the prison capacity freed up by SACPA was filled by offenders who were incarcerated for other offenses, this represents a policy decision at the state level to essentially immediately reallocate these savings for other purposes. Preliminary analyses suggest that increased incarceration of non-drug offenders may have far reaching implications which result in

additional savings, but the measurement and consequences of these practices were well beyond the scope of our cost benefit analyses.

The state benefited from a \$13.6 million reduction in parole-supervision costs for the SACPA-eligible offenders and an increase in taxes collected of \$3.6 million.

Of the savings reported in the annual cost report, \$171 million accrue to the state, \$12 million to counties, with a cost increase of \$7 million to the federal government.²

² The federal government may have seen additional costs or savings in other domains such as federal penitentiaries and federal income taxes. However, analysis of the effects on federal funding in these domains were beyond the scope of our analyses.

Table 2. Division of Cost Offsets between State and County (30-month followup)

<u>Module</u>	<u>Total</u>	<u>State</u>	<u>County</u>
Cost Savings			
Prison	218,509,872	218,509,872	—
Jail ^a	94,317,834	—	94,317,834
Parole	13,615,589	13,615,589	—
Cost Increases			
Arrest and convictions	81,719,410	—	81,719,410
Probation ^b	12,198,582	12,198,582	—
Substance-abuse treatment	45,762,179	45,762,179	—
Healthcare ^c	14,154,052	7,077,026	—
Tax Revenues			
Increased taxes ^d	3,632,467	3,632,467	—

^a Excludes costs for those parole violators who spend time in county jails rather than CDC facilities. The state reimburses counties for these costs.

^b This is regarded as a state cost because the state allocates a portion of SACPA funds for the purposes of supervision. However, prior to SACPA, these costs were paid for at the county level, and if SACPA funding is removed, these costs would return to the county level. There are variations by county participation in this cost, with some counties reporting that they have contributed additional county funds. This could not be incorporated into this analysis at this time.

^c Healthcare cost increases were divided between state and federal sources. \$7 million of the additional \$14 million dollars in healthcare expenses were funded by the federal government.

^d Due to the short time frame available for this analysis combined with variations in tax rates across counties, we were not able to separate changes in county sales taxes from taxes collected by the state. However, the portion of the change in tax revenues between the comparison and SACPA groups represents a small percentage of the relatively modest total change in revenue stated here. Therefore, any change in county tax revenues are clearly negligible within the context of the much larger costs and savings produced by SACPA in other domains.