

CALIFORNIA PRISON HEALTH CARE RECEIVERSHIP CORP.

For Immediate Release

RE: Federal Receiver Kelso's Reaction to Defeat of SB1665 (Mr. Kelso will not have any media availabilities today)

For Thursday, May 29. 2008

Contact: Luis Patino (916) 956-5879

(Sacramento, CA) Clark Kelso, Federal Receiver for the California Prison Health Care Receivership Corp. has issued the attached letter to the Department of Finance. The release of this letter will be the Receiver's only public commentary for today. The following are excerpts of the letter:

What happens next?

Absent favorable action today on SB 1665 (Machado), it is my intention to file with your office a demand that the State of California commit to setting aside \$7 billion in the Receiver's account to be used for the Health Care Facility Expansion and Improvement Programs provided for in the Receivership's Strategic Plan, "Achieving a Constitutional Level of Medical Care in California's Prisons."

How does this affect California's Budget?

SB 1665 was introduced to provide cost-effective bond financing for these construction programs, financing that would avoid the need to adversely impact the General Fund for the next three years. In my judgment, given the disastrous condition of the State's General Fund and budget, SB 1665 is the only fiscally responsible approach for providing the necessary financing.

I remain hopeful that the Senate will act favorably upon SB 1665, and that I will not be forced to ask you to immediately sweep all available funds and to take other extraordinary reallocations of funds to provide financing for my construction program. However, I can no longer stand idly by while the State continues its pattern of prevarication.

How much money is needed and by when?

I will be needing to commit \$70 million immediately (Le., in the current fiscal year), and anticipate needing \$3.43 billion during FY 2008-2009, \$2.0 billion during FY 2009-2010 and the final \$1.5 billion during FY 2010-11.

Why is a full commitment needed now?

The Receiver, responsible for medical, mental health and disability access construction cannot be placed in the position of proceeding without the certainty of state funds concerning a very complex construction program. An incrementalist approach -which is how the State usually funds non-critical, multi-year projects and major capital outlays - necessarily introduces significant uncertainties and delays in completing construction.

Furthermore, it unnecessarily increases costs and represents an inefficient, bad way of doing business.

What if the need for inmate beds decreases?

I have committed to the State in SB 1665 that I would undertake this construction program in three phases, and that before I proceed to the second or third phases, I would undertake a reassessment of the prison population to determine whether additional construction was still necessary in light of possible changed circumstances. I now commit to you the same approach. I will not proceed to phases 2 or 3 without reassessing actual need. I will also work with you and your staff to establish some form of project review and reporting similar to the processes used by the Public Works Board so that there is appropriate public oversight of my construction program. I am not seeking to avoid oversight; I am simply seeking a clear pathway forward.

If passed by the legislature, SB 1665 would authorize most of the money for the Prison Health Care Construction Program, almost \$7 Billion, in revenue bonds. Only the remaining \$100 Million that are needed will come from the general fund. Governor Arnold Schwarzenegger supports SB 1665.

In 2006, a federal court suspended the authority of the Department of Corrections and Rehabilitation over the California prison medical health care system and vested those powers in the Medical Care Receiver. Those powers include assessing existing medical care facilities and the construction of upgrades or replacement facilities. The Medical Care Receiver, in consultation with the court has determined that it is necessary to immediately construct improvements to existing facilities and to construct health-related facilities and housing for approximately 10,000 inmates with medical or mental health needs. It is intended that these efforts will assist the state in compliance matters related to the cases Plata v. Schwarzenegger, Coleman v. Schwarzenegger, Perez v. Tilton, and Armstrong v. Schwarzenegger.