
Department of Public Safety and Correctional Services Fiscal 2011 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
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Analysis of the FY 2011 Maryland Executive Budget, 2010

Q00 – DPSCS – Fiscal 2011 Budget Overview

Q00
Department of Public Safety and Correctional Services
Fiscal 2011 Budget Overview

Agency Description

The Department of Public Safety and Correctional Services (DPSCS) helps to keep Maryland communities safe and provides services to the victims of crime. The department strives to ensure the safety, security, and well-being of defendants and offenders under its supervision and to provide criminal justice agencies with access to timely, accurate information about defendants and offenders.

Fiscal 2010 Deficiencies

There are eight deficiency appropriations which provide a net increase of \$12.0 million in general funds and \$4.5 million in federal funds for the fiscal 2010 working appropriation. One federal fund deficiency provides the Criminal Injuries Compensation Board with approximately \$571,000 in American Recovery and Reinvestment Act (ARRA) funding to support State victim compensation payments to eligible crime victims. An additional item provides a fund swap in the Division of Parole and Probation (DPP) of nearly \$4.0 in general funds with discretionary federal fiscal stimulus funding. The fund swap between DPP general funds and ARRA funding from the Maryland Higher Education Commission is necessary to satisfy maintenance of effort requirements within the State's higher education funding under the ARRA.

General fund deficiencies include:

- approximately \$5.4 million in Division of Correction (DOC), Patuxent Institution (PTX), and Division of Pretrial Detention and Services (DPDS) for inmate medical expenses. This increases the total cost for the inmate medical contracts in fiscal 2010 to \$157.7 million, an increase of \$8.1 million, or 5.9%, over actual expenditures in fiscal 2009. DOC is the largest recipient agency, receiving nearly \$4.3 million;
- a total of \$5.0 million to account for underfunded salaries and wages in the fiscal 2010 budget. This accounts for 41.7% of the deficiency appropriation total. These deficiencies are needed in DOC, DPP, and PTX. The department has made strong efforts to improve its recruitment and retention within the correctional agencies. The average fiscal 2010 vacancy rates for the Division of Correction and Patuxent Institution are 3.6 and 3.3%, respectively. The additional funding for personnel costs is necessary because fiscal 2010 budgeted turnover rates are an average of 1.7% higher than the actual vacancy rates; and

Q00 – DPSCS – Fiscal 2011 Budget Overview

- approximately \$5.6 million for supplies and materials within DOC and PTX. The majority of this appropriation, approximately \$3.6 million, is needed to cover the cost of non-food materials, including janitorial, dietary, maintenance, and inmate-related supplies. The remaining \$2.0 million is needed due to underfunding for raw food supply purchases.

Fiscal 2010 Cost Containment Actions

In total, DPSCS lost approximately \$53.8 million in general funds, \$863,000 in special funds, and 88 regular positions as a result of fiscal 2010 cost containment actions taken by the Board of Public Works (BPW).

- Employee furloughs, the elimination of correctional officer bonuses, and across-the-board reductions to health insurance, travel expenses, utilities, and new vehicle purchases account for 31.6%, or nearly \$17.0 million, in general funds and \$603,000 in special funds.
- A \$28.1 million transfer of federal fiscal stabilization funds, originally allocated to higher education institutions, resulted in a corresponding general fund reduction of the same amount.
- Facility closures generated savings of \$5.0 million in general funds and nearly \$260,000 in special funds, as well as accounting for the lost regular positions. Closed facilities included Dismas House East and the west wing at the Metropolitan Transition Center in Baltimore City, and the Toulson Correctional Facility in Jessup. All eliminated positions were vacant; personnel employed at the closed facilities have been relocated to other institutions within the same region.
- Information technology contracts and departmentwide telecommunication services were reduced by \$2.2 million. The impact is to delay the purchase of replacement computer equipment and suspend various maintenance agreements.
- The remaining \$1.5 million in reductions reflects the replacement of general funds with additional federal funds provided as reimbursement for housing federal inmates in State facilities and payments for housing illegal immigrants.

Q00 – DPSCS – Fiscal 2011 Budget Overview

The fiscal 2010 cost containment actions generate ongoing savings in the fiscal 2011 budget of approximately \$11.0 million in general funds and \$400,000 in special funds. This is largely the result of the facility closures.

Additional DPSCS fiscal 2010 cost containment actions, outside of reductions to operating expenses, total \$5.1 million.

- DPSCS intends to revert approximately \$2.5 million of unexpended State Reserve Fund special funds, originally appropriated in fiscal 2006 for the construction of the North Branch Correctional Institution in Cumberland. The facility became fully operational in fiscal 2009, and these funds were not needed.
- Additionally, the department intends to revert \$2.1 million originally appropriated for the purpose of awarding public safety death benefits. The current accrual of \$4.2 million is likely to exceed what is necessary to fund the entitlement.
- \$500,000 will be transferred from the Maryland Correctional Enterprises fund balance to the general fund. This action leaves a fund balance of approximately \$1.0 million.

Fiscal 2010 Federal Stimulus Funding

DPSCS received a total of \$49.7 million in ARRA funding for fiscal 2010. This includes the \$28.1 million fund swap that was part of the fiscal 2010 cost containment actions. The major custodial agencies (DOC, PTX, and DPDS) accounted for 90.1% of the funding, receiving \$35.4 million, \$2.0 million, and \$7.4 million, respectively. The Office of The Secretary also received \$1.3 million, and the DPP has been appropriated \$3.6 million.

Personnel expenses account for the majority of the funding, with approximately \$40.2 million, or 80.7%, of the total, funding employee salaries and an additional \$6.0 million supporting overtime expenses. Approximately \$2.6 million has been used toward raw food purchases and contractual food services. The remaining \$1.0 million has funded utility costs within DOC facilities.

Two deficiency appropriations totaling nearly \$4.6 million would further increase the department's ARRA funding to \$54.3 million. The fiscal 2011 allowance assumes the same level of ARRA funding as fiscal 2010, with the exception of the deficiencies.

Fiscal 2011 Allowance

As seen in **Exhibit 1**, the adjusted DPSCS fiscal 2011 operating budget allowance is approximately \$1.3 billion. This represents an increase of \$14.0 million, or 1.1%, over the fiscal 2010 working appropriation. The Department of Legislative Services (DLS) has estimated that the allowance includes nearly \$17.0 million in across-the-board reductions that could be allocated by the Administration to the department. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, DLS has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

The largest change, an increase of \$6.4 million, is in DPP. This brings the agency's fiscal 2011 allowance to \$107.7 million, representing growth of 6.4% over the fiscal 2010 working appropriation. Approximately 3.3% of DPP's allowance, or \$3.6 million, is funded via ARRA funding. The majority of the increase, approximately \$5.8 million, is attributable to personnel expenses. This is partially attributable to a lower fiscal 2011 budgeted turnover rate to support improved staff recruitment and retention within the agency. Funds for inmate medical care increase by nearly \$170,000, and the restoration of a one-time \$500,000 fiscal 2010 reduction from renegotiated rental rates for DPP field offices accounts for the remainder of the increase.

The next largest change is a \$6.1 million increase in DPDS. The fiscal 2011 allowance grows by 3.9% compared to the fiscal 2010 working appropriation. A total of 4.5%, or \$7.4 million, of the agency's \$164.4 million allowance is funded with ARRA funding. Personnel costs account for a \$1.3 million increase, taking into account the across-the-board personnel reductions. The remainder of the growth, approximately \$4.8 million, is for inmate medical care. This represents an 18.2% increase over the fiscal 2010 working appropriation. Once the fiscal 2010 deficiency appropriation is accounted for, the fiscal 2011 allowance still reflects growth of 14.2%. DPSCS has made a strong effort to budget inmate medical costs more appropriately among the agencies to avoid significant realignment of funds via budget amendment.

Exhibit 1
Department of Public Safety and Correctional Services Budget Overview
Total Funds by Programs
Fiscal 2010-2011
(\$ in Thousands)

	<u>Working</u> <u>Appropriation</u> <u>2010</u>	<u>Allowance</u> <u>2011</u>	<u>Back</u> <u>of the Bill</u> <u>Reductions</u>	<u>Revised</u> <u>Allowance</u> <u>2011</u>	<u>\$</u> <u>Change</u> <u>2010-11</u>	<u>%</u> <u>Change</u> <u>2010-11</u>
Operating Programs						
Office of the Secretary	\$135,230	\$132,575	-\$1,093	\$131,482	-\$3,748	-2.8%
Division of Correction	777,812	793,108	-10,316	782,792	4,980	0.6%
Parole Commission	5,110	5,256	-122	5,134	24	0.5%
Division of Parole and Probation	101,248	110,018	-2,326	107,692	6,444	6.4%
Patuxent Institution	46,358	47,730	-699	47,031	673	1.5%
Inmate Grievance Office	602	735	-10	725	123	20.4%
Police/Correctional Training Comms.	8,325	8,140	-143	7,997	-328	-3.9%
Criminal Injuries Compensation Board	7,023	6,710	-13	6,697	-326	-4.6%
MD Commission on Correctional Stnds.	501	559	-13	546	45	9.0%
Division of Pretrial Detention & Services	158,324	166,720	-2,253	164,467	6,143	3.9%
Total	\$1,240,533	\$1,271,551	-\$16,988	\$1,254,563	\$14,030	1.1%
Funds						
General Fund	\$995,782	\$1,035,976	-\$16,190	\$1,019,786	\$24,004	2.4%
Special Fund	168,292	157,699	-798	156,901	-11,391	-6.8%
Federal Fund	68,516	70,330	0	70,330	1,814	2.6%
Reimbursable Fund	7,943	7,546	0	7,546	-397	-5.0%
Total	\$1,240,533	\$1,271,551	-\$16,988	\$1,254,563	\$14,030	1.1%
PAYGO Program						
Office of the Secretary PAYGO	\$10,000	\$0			-\$10,000	n/a
Funds						
Federal	\$10,000	\$0			-\$10,000	n/a

PAYGO: pay-as-you-go

Source: Department of Public Safety and Correctional Services

Q00 – DPSCS – Fiscal 2011 Budget Overview

The fiscal 2011 allowance for DOC, adjusted for back of the budget bill reductions, grows by nearly \$5.0 million, which is only 0.6% when compared to the fiscal 2010 working appropriation. Approximately 4.5%, or \$35.4 million, of the agency's \$782.8 million allowance is funded with ARRA funding. Increases in personnel expenses account for 80%, or \$4.0 million, of the total growth. This is attributable to growth for employee retirement and health insurance, but also reflects lower budgeted turnover which is in line with with current vacancy rates. Funding for food, household, and inmate supplies and materials is increased by \$5.3 million; however, once the fiscal 2010 deficiency appropriation is accounted for, fiscal 2011 supply and material purchases appear to be level funded. These increases are offset by a \$3.5 million reduction in fuel and utility expenses based on current utilization trends and a \$1.0 million reduction to contractual food services.

The Patuxent Institution receives an additional \$673,000 for a total fiscal 2011 allowance of \$47.0 million, once the across-the-board reductions are taken into account. Federal ARRA funding accounts for 4.3%, or \$2.0 million, of this agency's budget. The majority of the increase is inmate medical expenses, which increase \$433,000 in an effort to budget more accurately based on prior years' actual expenditures. There is also a \$374,000 increase for supplies and materials, and personnel expenses increase \$60,000 based on a lower budgeted turnover rate. Once the fiscal 2010 deficiency is accounted for, however, this agency is largely level-funded in these areas. Overtime expenses decrease by approximately \$95,000, or 3.4%, and fiscal 2011 fuel and utility expenses are reduced by \$264,000.

Offsetting the growth in the custodial agencies is a net \$3.7 million reduction in the Office of the Secretary. The \$131.5 million fiscal 2011 allowance represents a 2.8% reduction from fiscal 2010 spending. Less than 1.0% of this agency's budget is funded via ARRA. The net reduction is largely the result of a one-time transfer of \$4.1 million in special funds from the Major Information Technology (IT) Development Fund in fiscal 2010. Special funds are further reduced by \$3.4 million within the Emergency Number Systems Board (ENSB) as a result of lower 9-1-1 fee remittances based on prior year actual expenditures. These reductions are largely offset by a \$1.7 million increase for IT-related projects, such as a new disaster recovery system for DPSCS databases and maintenance contracts for the Electronic Patient Health Record System. Additionally, the ENSB allowance includes a \$1.0 million federal fund increase from a NET 911 Act of 2008 grant program, used to provide 9-1-1-related enhancements to state and local governments. The agency's fiscal 2011 allowance also includes slight growth in personnel expenses and \$485,000 to assist in funding the Statewide Personnel Management System within the Department of Budget and Management (DBM). There is a total of \$2.0 million budgeted across State agencies in fiscal 2011 for this purpose. The amount allocated to each agency is proportionate to the number of authorized positions.

Q00 – DPSCS – Fiscal 2011 Budget Overview

Departmentwide, the allowance includes approximately \$159.3 million for the inmate medical contract. This is an increase of approximately \$7.0 million, or 4.6%, over the fiscal 2010 working appropriation; however, with the fiscal 2010 deficiency appropriation, the actual increase is only \$1.6 million, or 1.0%. The estimate for the fiscal 2011 allowance is based on what is required in fiscal 2010 and historical expenditures under the current contracts. Fiscal 2010, however, is the final year of providing inmate medical services under the current contracts. Notable changes, such as movement to a managed care model of service delivery, are being sought by the department for the new contracts, and the procurement process has yet to begin. As such, it is likely that the current level of funding provided in the fiscal 2011 allowance will be inadequate.

The fiscal 2011 allowance for overtime expenditures for the four custodial agencies totals \$32.4 million. This is a reduction of \$3.4 million, or 9.5%, from the fiscal 2010 working appropriation. Overtime in the fiscal 2011 budget is approximately \$10.1 million, or 24.0%, below what was required in fiscal 2009. The department has not requested an overtime deficiency appropriation since fiscal 2006, and according to StateStat data provided through November 2009, the major custodial agencies are projecting fiscal 2010 overtime costs below the fiscal 2010 working appropriation.

There is nearly \$1.6 million in the fiscal 2011 allowance for the Offender Case Management System (OCMS). These funds are currently budgeted in the Major Information Technology Development Project Fund within the Department of Information Technology. They will be transferred to DPSCS via budget amendment during the fiscal year. The first module to be implemented will support the Arrest and Booking function. Implementation is scheduled to begin by the end of February. The funding in the fiscal 2011 allowance will support the development of DOC and Detention Services, Parole and Probation, and Parole Commission modules. The total amount of funding awarded for the OCMS project to date is \$12.6 million. The total spent to date is approximately \$10.6 million; future appropriations are estimated to include \$600,000 in fiscal 2012 and \$650,000 in fiscal 2013 to support the first year of maintenance expenses. Implementation of all phases is anticipated to be completed by January 2012.

There is no federal pay-as-you-go (PAYGO) funding included in the fiscal 2011 allowance. A total of \$10.0 million in federal PAYGO funding was included in fiscal 2010, in conjunction with \$13.2 million in general obligation bond funding for the Jessup Community Correctional Facility (JCCF). In total, the federal government offered to provide \$20.0 million toward construction of the new facility, in exchange for increasing the number of federal detainees housed at the Maryland Correctional Adjustment Center (MCAC) in Baltimore City. The General Assembly restricted the fiscal 2010 funding, however, until the department met a variety of conditions, including providing assurance that the federal government would fully cover the cost of operating the MCAC once it housed only federal detainees. To date, the funds

have not been released, as the restrictive conditions have not been met. DPSCS has met several times with the Office of Federal Detention Trustee (OFDT), the U.S. Marshal and the Federal Judges in an effort to expedite the release of the federal funding; however, OFDT has yet to receive federal approval for the \$10.0 million currently promised to the State. **DPSCS should provide an update on the current status of negotiations with the federal government with regard to the JCCF project.**

Federal Stimulus Funds

The fiscal 2011 allowance for the department assumes the same level of ARRA funding as fiscal 2010, with the exception of the \$4.0 million deficiency appropriation in DPP. Currently, the DPP fiscal 2011 allowance includes \$3.6 million in ongoing ARRA funding. The \$4.0 million provided in the deficiency appropriation has not been included in the allowance. According to the agency, the additional funding for fiscal 2011 will be provided via a supplemental budget; however it is not clear whether the full amount of funding will be provided. The Department of Human Resources receives an additional \$1.5 million in ARRA funding for fiscal 2011. This would mean only \$2.5 million would be available for allocation to DPP.

Additionally, DLS has noted that the department continues to be underfunded in certain areas of the DOC, PTX, and DPDS budgets. **If additional ARRA funding were to be allocated in a supplemental budget, DLS recommends that general funding not be simultaneously reduced and that the additional federal funding be allocated to one of the major custodial agencies to address the underfunding.**

Fiscal 2010 and 2011 Budget Actions in Sum

Exhibit 2 demonstrates the impact to the DPSCS budget when including both fiscal 2010 deficiency appropriations and fiscal 2011 Back of the Bill reductions. Taking into account these actions, the fiscal 2011 budget for the department is essentially level-funded. With \$16.5 million in fiscal 2010 deficiency appropriations and \$16.9 million in fiscal 2011 across-the-board reductions, the DPSCS fiscal 2011 revised allowance is approximately \$2.5 million, or 0.2%, less than estimated spending in fiscal 2010. **Exhibit 3** shows that there is no change in the department's personnel complement in fiscal 2011. The eliminated contractual full-time equivalents reflect contractual conversions that occurred in fiscal 2010.

Exhibit 2
Department of Public Safety and Correctional Services Budget Overview
Total Funds by Program with Additional Budget Actions
Fiscal 2010-2011
(\$ in Thousands)

	<u>Working</u> <u>Approp.</u> <u>2010</u>	<u>Deficiencies</u> <u>2010</u>	<u>Revised</u> <u>Working</u> <u>Approp.</u> <u>2010</u>	<u>Allowance</u> <u>2011</u>	<u>Back</u> <u>of the Bill</u> <u>Reductions</u>	<u>Revised</u> <u>Allowance</u> <u>2011</u>	<u>\$ Change</u> <u>Revised</u> <u>2010-</u> <u>Revised</u> <u>2011</u>	<u>% Change</u> <u>Revised</u> <u>2010-</u> <u>Revised</u> <u>2011</u>
Operating Programs								
O/S	\$135,230		\$135,230	\$132,575	-\$1,093	\$131,482	-\$3,748	-2.8%
DOC	777,812	12,319	790,131	793,108	-10,316	782,792	-7,339	-0.9%
MPC	5,110		5,110	5,256	-122	5,134	24	0.5%
DPP	101,248	2,000	103,248	110,018	-2,326	107,692	4,444	4.4%
PTX	46,358	740	47,098	47,730	-699	47,031	-67	-0.1%
IGO	602		602	735	-10	725	123	20.4%
PCTC	8,325		8,325	8,140	-143	7,997	-328	-3.9%
CICB	7,023	571	7,594	6,710	-13	6,697	-897	-12.8%
MCCS	501		501	559	-13	546	45	9.0%
DPDS	158,324	915	159,239	166,720	-2,253	164,467	5,228	3.3%
Total	\$1,240,533	\$16,545	\$1,257,078	\$1,271,551	-\$16,988	\$1,254,563	-\$2,515	-0.2%
Funds								
General Fund	\$995,783	\$12,005	\$1,007,788	\$1,035,976	-\$16,190	\$1,019,786	\$11,998	1.2%
Special Fund	168,292		168,292	157,699	-798	156,901	-11,391	-6.8%
Federal Fund	68,515	4,540	73,055	70,330	0	70,330	1,815	2.6%
Fund	7,943		7,943	7,546	0	7,546	-397	-5.0%
Total	\$1,240,533	\$16,545	\$1,257,078	\$1,271,551	-\$16,988	\$1,254,563	-\$2,515	-0.2%
PAYGO Program								
O/S – PAYGO	\$10,000			\$0			-\$10,000	n/a
Funds								
Federal	\$10,000			\$0			-\$10,000	n/a

Q00 – DPSCS – Fiscal 2011 Budget Overview

CICB: Criminal Injuries Compensation Board
DOC: Division of Corrections
DPDS: Division of Pre-trial and Detention Services
DPP: Division of Parole and Probation
IGO: Inmate Grievance Office
MCCS: Maryland Commission on Correctional Standards
MPC: Maryland Parole Commission
O/S: Office of the Secretary
PAYGO: pay-as-you-go
PCTC: Police and Correctional Training Commissions
PTX: Patuxent Institution

Source: Department of Public Safety and Correctional Services

Exhibit 3
Department of Public Safety and Correctional Services Budget Overview
Fiscal 2010-2011

Regular Positions by Program

	Working Appropriation <u>2010</u>	Change <u>2010-11</u>	% Change <u>2010-11</u>
<u>Operating Programs</u>			
Office of the Secretary	527	0	0.0%
Division of Correction	7,266	0	0.0%
Parole Commission	74	0	0.0%
Division of Parole and Probation	1,291	0	0.0%
Patuxent Institution	488	0	0.0%
Inmate Grievance Office	6	0	0.0%
Police/Correctional Training Comms.	80	0	0.0%
Criminal Injuries Compensation Board	14	0	0.0%
Maryland Commission on Correctional Standards	6	0	0.0%
Division of Pretrial Detention and Services	1,557	0	0.0%
Total	11,308	0	0.0%
Departmentwide Vacant Positions Reduction			
Revised Total	11,308	0	0.0%

Contractual Positions by Program

	Working Appropriation <u>2010</u>	Change <u>2010-11</u>	% Change <u>2010-11</u>
<u>Operating Programs</u>			
Office of the Secretary	107	0	0.0%
Division of Correction	89	-1	-1.1%
Parole Commission	3	0	0.0%
Division of Parole and Probation	110	0	0.0%
Patuxent Institution	2	0	0.0%
Inmate Grievance Office	1	0	0.0%
Police/Correctional Training Commissions	23	0	0.0%
Criminal Injuries Compensation Board	4	-2	-48.6%
Maryland Commission on Correctional Standards	2	0	0.0%
Division of Pretrial Detention and Services	40	0	0.0%
Total	380	-3	-0.9%

Source: Department of Public Safety and Correctional Services

Issues

1. Review of DPSCS Funding and Staffing Levels

During the 2009 legislative session, DLS noted that the fiscal 2010 allowance for the major custodial agencies was severely underfunded. Key areas of underfunding included employee salaries and overtime expenses, fuel and utility expenditures, and raw food purchases. In total, DLS estimated that the department required an additional \$55.8 million in the fiscal 2010 allowance to adequately fund current operations. Additionally, DLS noted that an assessment of current staffing indicated that the custodial agencies were operating well below their necessary staffing requirements. In order to fully fund the department's operations at an optimal staffing level, DPSCS required an additional \$76.9 million and 815 new positions in the fiscal 2010 allowance. In response to the DLS findings, DPSCS in conjunction with DBM was required to submit a plan for how to fully fund departmental operations without the need for recurring deficiency appropriations. DPSCS was also required to conduct a staffing assessment of all custodial facilities to determine the appropriate staffing levels.

Funding Levels

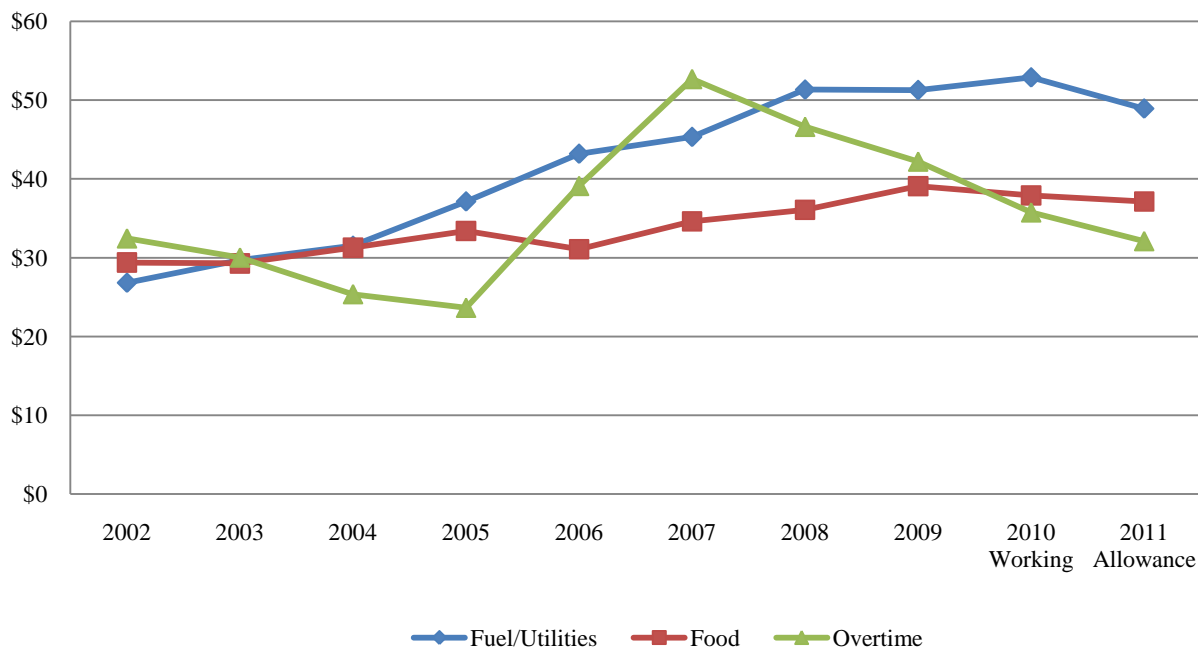
Between fiscal 2007 and 2009, DPSCS has required \$141.0 million in deficiency appropriations for staffing and overtime, inmate medical expenses, fuel and utility costs, security enhancements, and raw food supplies. The fiscal 2011 allowance includes \$15.3 million in general fund deficiency appropriations for fiscal 2010 to cover continued underfunding for inmate medical costs, staffing expenses, and supply purchases. Fiscal 2011 funding levels for specific areas previously identified by DLS appear to be improved, as the department has made efforts to reduce expenditures and increase operational efficiencies. When compared to the budgeted spending for fiscal 2010, however, there is little to no growth in the 2011 allowance. It is estimated that fiscal 2011 could be underfunded by \$10 million to \$12 million.

Exhibit 4 shows three areas of funding that are instrumental to departmental operations, but have continuously requiring deficiency appropriations: fuel and utility expenses, inmate food purchases, and overtime expenditures. Of these three areas, the only deficiency appropriation provided for fiscal 2010 is \$2.0 million for inmate food supplies.

Fuel and Utilities

Fuel and utility costs have increased significantly over the past decade, particularly within the past three years. Fuel and utility expenditures for the three major custodial facilities

Exhibit 4
Department of Public Safety and Correctional Services
Key Areas of Underfunding and Increased Expenditures
Fiscal 2002-2011
(\$ in Millions)



Source: Department of Public Safety and Correctional Services; Department of Legislative Services

increased from \$45.3 million in fiscal 2007 to \$52.9 million in the fiscal 2010 working appropriation, an increase of 16.8%. Increases in fuel and utilities are largely impacted by fluctuations in fuel prices, which had been increasing in recent years. In an effort to control fuel and utility expenditures, DPSCS is working on a variety of capital construction projects, such as window replacements and water conservation efforts. DPSCS has seen a recent reduction in electricity rates, which is evident when comparing the fiscal 2010 working appropriation of \$52.9 million to the legislative appropriation of \$53.4 million. The department expects this decline to continue in fiscal 2011; however, the allowance for fuel and utility expenditures reflects a 7.6% reduction from the working appropriation.

Raw Food, Food Preparation, and Supply Purchases

As shown in the exhibit, actual spending for inmate meals, including contractual services for providing meals to inmates in Baltimore City facilities, increased \$4.5 million, or 13.0%, between fiscal 2007 and 2009. The department cites increased transportation costs and the CPI as impacting the total cost of food. As previously mentioned, the fiscal 2011 allowance includes a \$2.0 million deficiency appropriation for inmate food costs in fiscal 2010. This increases the working appropriation to \$37.9 million, which is approximately \$1.2 million below fiscal 2009 actual spending. The fiscal 2011 allowance is an additional \$800,000 below the fiscal 2010 working appropriation, including the deficiency. DPSCS has created a Food Kaizen to evaluate and study dietary processes and food management, in addition to maintaining an automated inventory system. In the *Joint Chairmen's Report* response submitted to the budget committees in October 2009, DPSCS was projecting a \$6.5 million shortfall in fiscal 2010 for food and supply purchases. **DPSCS should explain how it is able to adequately fund inmate food costs within the fiscal 2010 working appropriation, given its original projected shortfall, and should comment on the sufficiency of the fiscal 2011 allowance to support the department's food-related needs.**

Overtime

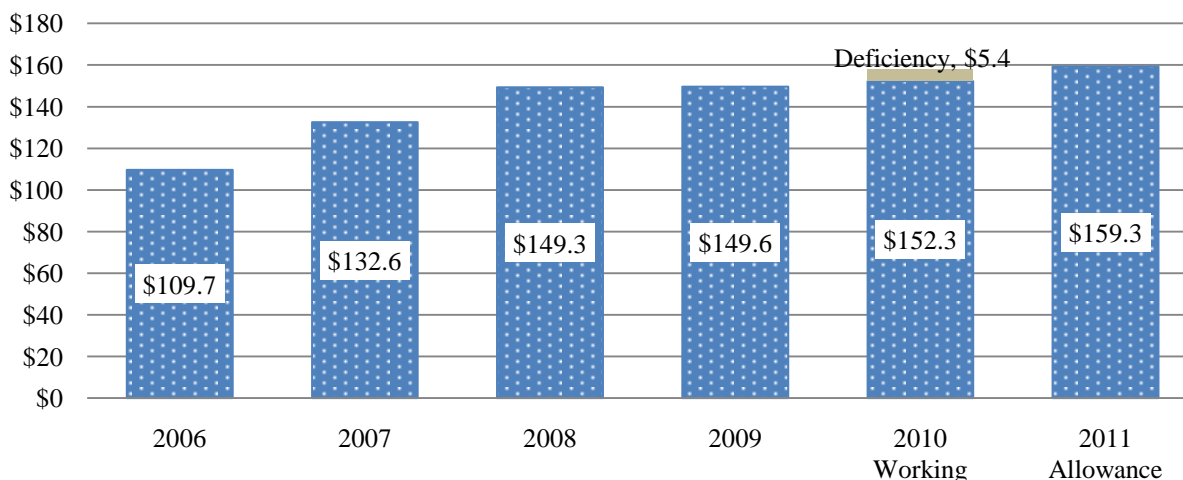
Historically, the main causes of personnel related deficiencies have been vacancy rates, cost-of-living adjustments, and the creation of special assignment posts (SAP). SAPs were created to deal with security and contraband control in correctional facilities and inmate transportation; however, SAPs are fully funded through the use of overtime. Vacancy rates have also contributed to increased overtime expenditures, as well as determining turnover expectancy rates. Historically, the department has struggled to hire and retain correctional officers, resulting in high budgeted turnover rates.

DPSCS has implemented a variety of operating initiatives, including a new approval process for using SAPs, and utilized bimonthly StateStat analysis and review to assist in minimizing the use of overtime. As a point of comparison, the number of SAPs within the department has been decreased from 359 SAPs in fiscal 2009 to 255 SAPs currently. The largest reduction has been within DOC. Exhibit 4 shows total overtime expenditures for the three major custodial agencies since fiscal 2002. The fiscal 2011 overtime allowance has returned to the fiscal 2002 funding level and is approximately \$20.6 million below the all-time departmental high of \$52.7 million in fiscal 2007. This represents a 23.9% reduction from the fiscal 2009 actual expenditures. Fiscal 2010 is the first year since fiscal 2006 that the department has not required an overtime deficiency appropriation. Lower vacancy rates, in addition to the reduction in SAPs, have contributed significantly to the reduction in overtime expenses.

Inmate Medical

In fiscal 2006, the department altered its method for providing inmate medical services, implementing a multi-vendor model of service delivery. Since fiscal 2007, DPSCS has received a total of \$26.7 million in deficiency appropriations for inmate medical costs. Although a deficiency appropriation was not necessary in fiscal 2009, the fiscal 2011 allowance includes an additional \$5.4 million to cover fiscal 2010 inmate medical deficiencies. In recent years, growth in this area has been largely attributable to increases in the medical care component of the Consumer Price Index (CPI), which is applied to salaries reimbursed within the inmate medical contracts, increased hospital costs due a rate increase, inflation in pharmacy prices, and an increase in the number of patients treated for Hepatitis C. **Exhibit 5** shows inmate medical funding since the start of the current medical contracts in fiscal 2006. The cost has increased by \$53.8 million since the initial implementation of the current model, although year to year growth has become more stable since fiscal 2008. The current medical contracts expire at the end of fiscal 2010, and the department is in the process of issuing a new request for proposals (RFP) for the contracts to begin in fiscal 2011. Given the only \$1.6 million increase in the fiscal 2011 allowance, it is possible that the allowance will not be adequate to fully fund the new contracts. Historically, funding for inmate medical services has increased at least \$5.0 million annually.

Exhibit 5
Inmate Medical Costs
Fiscal 2006-2011
(\$ in Millions)



Source: Department of Public Safety and Correctional Services; Department of Legislative Services

In an effort to develop creative solutions for increasing operational efficiencies, DPSCS has created an RFP for business solution consultants to recommend management efficiencies. **The department should provide an update on the status of the RFP and an estimated cost for the consultant services.**

Staffing Levels

Historically, high vacancy rates, particularly among correctional officer positions, has led to high budgeted turnover and increased overtime expenditures. As **Exhibit 6** reveals, however, the department has made noticeable improvements in its ability to recruit and retain staff.

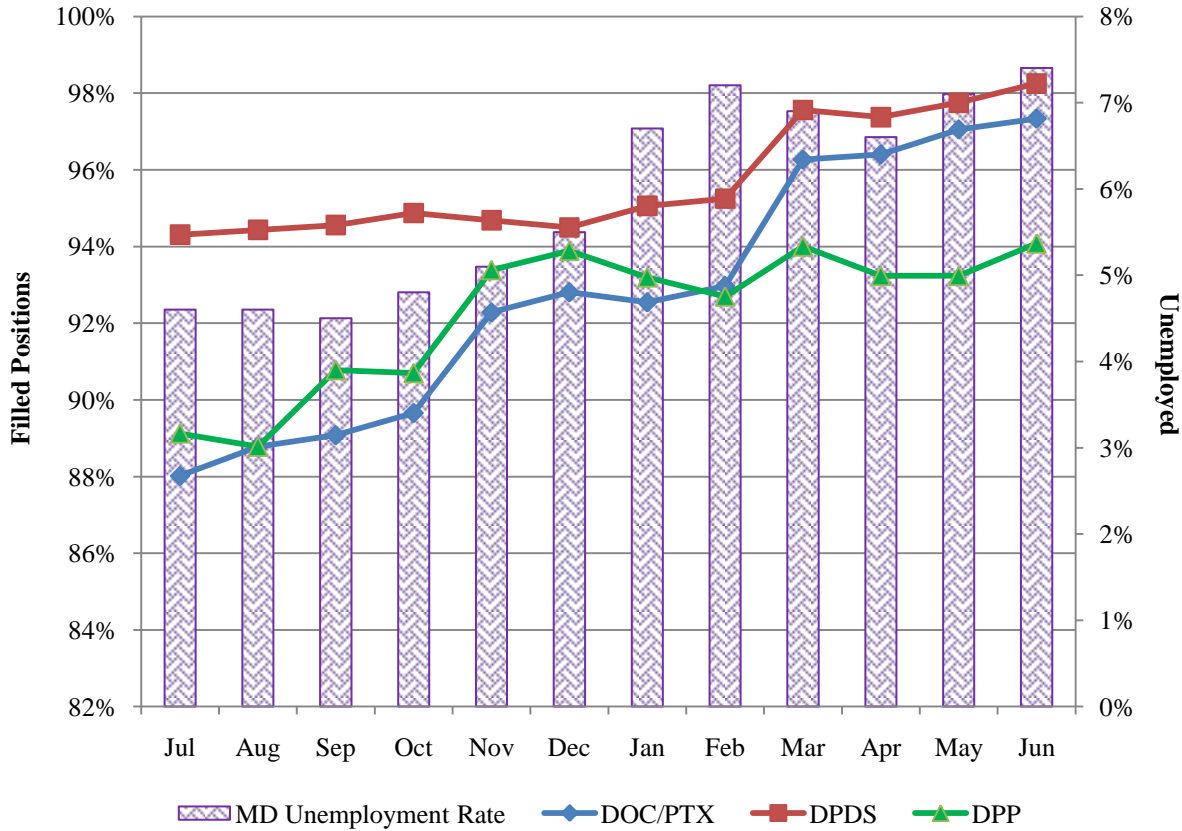
Exhibit 6 shows the percentage of filled positions each month for the major custodial agencies in fiscal 2009. DPSCS has been steadily recruiting and maintaining filled positions since February 2009 and has continued in fiscal 2010. From the beginning to the end of fiscal 2009, the combined percentage of filled positions for DOC and PTX has increased from 88.0 to 97.3%. DPDS also has a similar increase, although this agency has always been able to maintain a higher fill rate due to a larger applicant pool. The percentage of filled positions increased from 94.3 to 98.2%. DPP is the only agency of the four that still maintains a vacancy rate above 5.0%, although the agency has made progress in filling positions, increasing its filled rate from 89.1 to 94.1%.

DPSCS attributes the improved staffing to a variety of reasons, including:

- implementation of the Injured Worker’s Insurance Fund’s Managed Return to Work Program, which helps to return employees to work more expeditiously after an injury;
- more accessible testing across the State;
- increased advertising, including video recruitment tools and partnerships with community colleges, military bases, and recruitment coordinators; and
- provision of monetary incentives, such as employee sign-on, retention, and finder’s fee bonus programs, which began in fiscal 2006. These bonus programs were not funded in the fiscal 2010 budget, and there is no funding included in the fiscal 2011 allowance for this purpose.

As the exhibit shows, the current economic situation and increase of unemployment across the State has likely contributed to the department’s improved staffing, as well.

Exhibit 6
Department of Public Safety and Correctional Services
Percentage of Positions Filled
Fiscal 2009



DOC: Department of Correction
 DPDS: Division of Pretrial Detention and Services
 DPP: Division of Parole and Probation
 PTX: Patuxent Institution

Source: Department of Public Safety and Correctional Services; Department of Legislative Services

The increase in filled positions has required additional expenditures across the department to fully fund salary and wages. Fiscal 2010 deficiency appropriations for salary and wages total approximately \$5.0 million. The additional funding for personnel costs is necessary

because fiscal 2010 budgeted turnover rates are an average of 1.7% higher than the actual vacancy rates. Budgeted turnover rates for fiscal 2011 are improved, although still above the average year-to-date vacancy rates for fiscal 2010, as demonstrated in **Exhibit 7**.

Exhibit 7
Major Custodial Agencies
Fiscal 2010 Vacancy Rate vs. Fiscal 2011 Budgeted Turnover

	<u>Fiscal 2010 Average Vacancy Rate</u>	<u>Fiscal 2011 Budgeted Turnover Rate</u>
Division of Correction	3.6%	4.2%
Division of Parole and Probation	7.3%	4.5%
Patuxent	3.3%	4.5%
Division of Pretrial Detention and Services	1.6%	3.5%

Source: Department of Legislative Services

The intertwined relationship between turnover, vacancy rates, and overtime expenses has been clearly demonstrated over the years. Overtime can be reduced when vacancy rates are lower because there are more personnel available to staff posts. Similarly, if the vacancy rate increases, additional funding is necessary for the increased overtime costs. Assumed in this discussion, is that the budgeted turnover rate accurately reflects the vacancy rate. If the actual vacancy rate is lower than budgeted turnover, and the overtime funding is also reduced, then the department is in a situation where it has more filled positions than it can adequately fund. That is the reason for the \$5.0 million fiscal 2010 deficiency appropriation, and that is also the case in the fiscal 2011 allowance. Overtime funding is \$3.7 million below the fiscal 2010 working appropriation and, the average vacancy rate for DOC, DPDS, and PTX is 2.8%, yet the budgeted turnover is 4.1%. If these agencies allow the vacancy rate to increase to the budgeted turnover rate, it is likely additional funding will be needed for overtime; if the vacancy rates remain steady, it is likely that another deficiency for salaries and wages will be required. Either way, staffing appears to be underfunded by approximately \$3 to 5 million.

During the 2009 session, it was not only noted that current staffing levels were underfunded, but it was also estimated that the current number of authorized positions was inadequate to achieve optimal staffing levels in order to maintain adequate safety and security within the facilities. As a result, DPSCS was to conduct a staffing analysis to be reviewed by the

Q00 – DPSCS – Fiscal 2011 Budget Overview

budget committees. Because of delays in the training process conducted by the National Institute of Corrections (NIC) and the decision to include the correctional officers' union (the American Federation of State, County, and Municipal Employees) in the analysis process, analysis of the facilities did not begin until November 2009. This has resulted in a delay in submitting the analysis findings.

An interim report assessing the results of the first two facilities is expected by January 30, 2010, and will be discussed in the Division of Correction analysis. DPSCS began the analysis with the Baltimore Central Booking and Intake Center and the Metropolitan Transition Center in Baltimore City because those are the facilities where NIC training was conducted. A total of 29 facilities are to be included in the analysis. According to the schedule provided by the department, post-by-post analyses were to be conducted in four correctional facilities in December 2009, and an additional four facilities in January 2010. Approximately, three facilities per month will be analyzed between February and April, with the final three facilities completed by the end of June 2010. DPSCS believes it will have a final report completed by August 1, 2010.

Conclusion

As previously noted, funding for the major custodial agencies is improved, and DPSCS has demonstrated an effort to generate operational efficiencies and identify cost savings. DLS estimates underfunding in the fiscal 2011 allowance to be approximately \$10.0 million to 12.0 million, as opposed to the \$55.8 million identified in the fiscal 2010 budget. Even with these improvements, careful consideration and review should still be provided to these key areas:

- DPSCS identified a \$6.5 million deficiency for inmate food purchases in fiscal 2010, yet only an additional \$2.0 million was provided in the deficiency appropriation. It is likely that the fiscal 2011 allowance is also underfunded by \$4.5 million.
- Although new inmate medical contracts will be implemented in fiscal 2011, historically inmate medical costs have required at least a \$5.0 million annual increase. This level of growth is likely to be necessary, regardless of the type contracts, yet the allowance only provides for a \$1.6 million increase. This area will likely need at least an additional \$4.0 million in fiscal 2011.
- Funding for personnel costs, whether it is for overtime or salaries, appears to be imbalanced and underfunded based on budgeted turnover expectancy. It is likely

Q00 – DPSCS – Fiscal 2011 Budget Overview

personnel costs will require an additional \$4.0 million in order to maintain current vacancy levels and reductions in overtime use.

DPSCS should comment on how it intends to maintain current staffing levels and why DPP has not been able to achieve lower vacancy rates. Additionally, the department should discuss whether the current levels of personnel funding are adequate, given the low vacancy rates maintained since February 2009.