



## Department of Public Safety and Correctional Services

### Office of the Secretary

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November 14, 2006

STATE OF MARYLAND

ROBERT L. EHRLICH, JR.  
GOVERNOR

MICHAEL S. STEELE  
LT. GOVERNOR

MARY ANN SAAR  
SECRETARY

DIVISION OF CORRECTION

DIVISION OF PAROLE AND  
PROBATION

DIVISION OF PRETRIAL  
DETENTION AND SERVICES

PATUXENT INSTITUTION

MARYLAND COMMISSION  
ON CORRECTIONAL  
STANDARDS

CORRECTIONAL TRAINING  
COMMISSION

POLICE TRAINING  
COMMISSION

MARYLAND PAROLE  
COMMISSION

CRIMINAL INJURIES  
COMPENSATION BOARD

EMERGENCY NUMBER  
SYSTEMS BOARD

SUNDRY CLAIMS BOARD

INMATE GRIEVANCE OFFICE

The Honorable Ulysses Currie  
Chairman, Senate Budget and Taxation Committee  
3 West, Miller Senate Office Building  
Annapolis, Maryland 21401-1991

The Honorable Norman Conway  
Chairman, House Committee on Appropriations  
1312 Whittier Drive  
Salisbury, Maryland 21801-3241

RE: Report on Inmate Welfare Funds

Dear Chairman Currie and Chairman Conway:

The 2006 Joint Chairmen's Report requested on page 133 that

*The budget committees are concerned about how Inmate Welfare Funds are being expended. The committees direct the Department of Public Safety and Correctional Services (DPSCS) to submit a report on the state of contracts that direct revenue to the Inmate Welfare Fund, the fund balance, uses for the fund, and how other states manage and use similar funds.*

This report contains the information necessary to be responsive to the Committees' request. The Department is providing the enclosed report for your review and comment. The original due date of the report was September 1, 2006. The Department of Public Safety and Correctional Services requested an extension of the due date to October 1, 2006.

I hope this report is both informative and helpful in your understanding of the Inmate Welfare Fund. If the Department or I can be of any further assistance, please do not hesitate to contact me at 410-339-5093.

Sincerely,

Mary Ann Saar  
Secretary

- c: Senator Patrick J. Hogan, Vice Chair, Senate Budget and Taxation Committee  
Senator James E. DeGrange, Sr., Chair, Senate Public Safety, Transportation  
and Environment Subcommittee  
Delegate Talmadge Branch, Vice Chair, House Committee on Appropriations  
Delegate Joan Cadden, Chair, House Subcommittee on Public Safety and  
Administration  
Members of the Senate Budget and Taxation Committee  
Members of the House Committee on Appropriations  
Deputy Chief of Staff Mary Beth Carozza  
Secretary Cecilia Januszkiewicz, Department of Budget and Management  
Secretary Mary Ann Saar, Department of Public Safety and Correctional Services  
Mr. Alan Friedman, Governor's Director of Legislative Relations  
Mr. Kenneth Masters, Governor's Chief Legislative Officer  
Mr. Donald Hogan, Governor's Deputy Chief Legislative Officer  
Mr. Warren G. Deschenaux, Department of Legislative Services  
Ms. Rebecca Moore, Policy Analyst, Department of Legislative Services  
Mr. Robert Berkey, Supervisor, Office of Budget Analysis, Department of  
Budget and Management  
Mr. Edward M. Cheston, Staff, Senate Budget & Taxation Committee  
Ms. Elizabeth H. Moss, Staff, House Committee on Appropriations  
Ms. Cathy Kramer, Department of Legislative Services  
Ms. Sarah Albert, Department of Legislative Services  
Deputy Secretary G. Lawrence Franklin, DPSCS  
Deputy Secretary Mary L. Livers, DPSCS  
Director Rhea L. Harris, DPSCS



**DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONAL  
SERVICES**

**Report to the Joint Chairmen on  
Inmate Welfare Funds**

**October 2006**

Pursuant to 2006 JCR Page 133

**Robert L. Ehrlich, Jr., Governor  
Michael S. Steele, Lt. Governor  
Mary Ann Saar, Secretary**

## INTRODUCTION

MD. ANN. CODE, Correctional Services, §§10-501 through 10-504, established an inmate welfare fund in each State correctional facility as a special continuing non-lapsing fund. The statute specifies that each fund consist of:

1. Profits derived from the sale of goods through the commissary operation;
2. Telephone and vending machine commissions; and,
3. Money received from other sources, except that money from the General fund of the State may not be transferred to a fund.

Inmate welfare funds may be used only for goods and services that benefit the general inmate population as defined by regulations adopted by the Department of Public Safety and Correctional Services (hereinafter referred to as the Department). COMAR 12.11.09.04A specifies that inmate goods and services shall include all of the following:

1. Medical supplies and services as authorized by the Commissioner or the Director;
2. Commissary goods for resale;
3. Athletic and recreational services, supplies, and equipment;
4. Educational services, material, supplies, and equipment;
5. Entertainment expenditures, including movie rentals, newspapers, and books;
6. Repair and replacement of property;
7. Indigent inmate welfare packages; and,
8. Other goods and services as approved by the Commissioner or the Director for their respective facilities.

In the following language, set out in the FY2006 Joint Chairmen's Report, the budget committee made their intentions clear.

*The budget committees expressed concern about how inmate welfare funds are being expended. The committees direct the Department of Public Safety and Correctional Services (DPSCS) to submit a report on the status of contracts that direct revenue to the Inmate Welfare Fund, the fund balance, uses for the fund, and how other states manage and use similar funds.*

## I. Sources and Uses of Inmate Welfare Funds

As delineated in Table 1 below, during FY 2006, the Department collected \$20.9 million in revenue for the Inmate Welfare Funds (IWF). Although the largest source of revenue is commissary sales (\$14.1 million), the expenditures for commissary goods for resale total \$12.6 million; as a result, commissary operations contribute a gross profit of only about \$1.5 million. Accordingly, the most significant source of IWF revenue is telephone commissions, which contribute \$6.3 million in revenue with no offsetting expenditures.

Commissary Sales	\$	14,094,250
Telephone Commissions		6,312,884
Vending Commissions		304,933
Other Miscellaneous		<u>186,742</u>
<b>Total Revenue</b>	<b>\$</b>	<b>20,898,809</b>

Telephone commissions derive from the contract between the State and T-Netix, a division of Securus Technologies, Inc., which was designed (1) to implement a secure telephone service for inmates at our institutions and (2) to provide telephone commissions to the Department's Inmate Welfare Funds. The procurement of these services was negotiated by the Department of Budget and Management, with support from this Department, and the current contract is for the period December 17, 2003 to December 31, 2006, with two one-year renewal options. The current contract was approved on December 17, 2003, by the Board of Public Works. However, the vendor's services were not fully operational throughout the Department until the Fall of 2004.

As delineated in Table 2 below, during FY 2006, the Department collected \$20.6 million in IWF expenditures, including \$12.6 million for commissary goods for resale and \$8.1 million in other expenditures that benefit the general inmate population. It should be noted that the following IWF expenditures are specifically budgeted in the Department's annual budget request (line item detail):

1. *Medical Services (\$2.1 million)*: Regular and contractual positions are budgeted in the Office of Treatment Services and certain institutions; these positions are responsible for monitoring of the Inmate Medical Contract to ensure the adequacy of services to the inmates.
2. *Chaplaincy (\$1.4 million)*: Regular and contractual positions are budgeted in most institutions to serve the religious needs of the inmate population.

3. *Educational Services (\$1.0 million)*: Funds are budgeted in various Division of Correction (DOC) facilities for subsequent transfer to the Maryland State Department of Education (MSDE) for contracts with various community colleges to supplement the educational services provided by MSDE staff. In addition, the position of the Educational Coordinator in DOC-HQ is funded with inmate welfare funds. Furthermore, the Division of Pretrial and Detention Services has a contract with Baltimore City (Enoch Pratt) for library services at the Baltimore City Detention Center.
4. *Inmate Grievance Office (\$574,000)*: The entire budget of this agency is funded with Inmate Welfare Funds.
5. *Legal Services for Indigent Inmates (\$355,000)*: A contract with Prisoner Rights of Maryland is budgeted in the Office of the Secretary; this contract is funded 50% general funds and 50% inmate Welfare funds.

Commissary Goods for Resale	12,559,099
Medical Services (contract monitoring)	2,117,058
Chaplaincy	1,416,574
Educational Services	974,691
Inmate Grievance Office	574,780
Indigent Inmate Welfare Packages	542,368
Repair and Replacement of Property	485,219
Legal Services for Inmates	355,033
Athletic & Recreational Expenditures	317,890
Entertainment Expenditures	311,982
Addictions Treatment Services	110,135
Other	877,456
<b>Total Expenditures</b>	<b>\$ 20,642,285</b>

The IWF balance as of June 30, 2006 was \$4,882,107.

## **II. How Other States Manage and Use Similar Funds**

The Department surveyed five states (Virginia, West Virginia, Pennsylvania, New Jersey, and Kentucky) to determine how other states manage and use similar funds.

The Commonwealth of Virginia maintains an Inmate Welfare Fund, which has an average IWF balance of approximately \$4.1 million. Commissary operations are privatized and have shown a steady growth in the past two years. Revenue is also generated thru an inmate telephone contract. These revenues are used for educational, recreational, pre-release and post-release re-entry and transition services, or other purposes beneficial to the inmate population. Oversight of the fund is at the departmental level. Monthly reports are submitted to the Budget Director's office within the Department of Corrections. Periodical reviews are conducted by the Department's internal audit unit as well as the Auditors of Public Accountants.

The State of West Virginia maintains an inmate benefit fund, which are funds held by the institutions for the benefit and welfare of inmates incarcerated in state correctional facilities and for the benefit of inmates, as mandated by the W. VA. CODE, Chapter 25-1-3b. Sources of revenue include profits from commissary operations, telephone and vending machine commissions, and any funds confiscated considered contraband. The expenditures of the fund are similar to the types of expenditures in Maryland's IWF, but also include expenditures necessary to properly operate an automated inmate family and victim information notification system. General oversight is through the Department of Corrections' administrative/financial office. State Code dictates that random audits are completed by the West Virginia Department of Budget.

Pennsylvania maintains an Inmate General Welfare Fund (IGWF), which is governed by Department of Corrections' policies and procedures. Revenue is generated for the fund from (1) inmate telephone contract, (2) privatized commissary operations, and (3) vending operations and craft shops. All excess revenues received above budgeted amounts are diverted to the State's General Fund. The expenditures of the fund are similar to the types of expenditures in Maryland's IWF. Oversight of the fund is provided by the Auditor's General Office for the State of Pennsylvania. Annual reports are required to be submitted to the State's Department of Management.

The State of New Jersey maintains an IWF although it is managed through a private Board of Trustees. The IWF is funded primarily by commissary revenue, donations and interest generated on inmate bank accounts. The expenditures of the fund are similar to the types of expenditures in Maryland's IWF. Oversight of the fund is provided by the Bureau of Accounting and Procurement as well by the Bureau of Auditing. Internal management oversight is also maintained by the Department of Corrections' Financial Office.

The State of Kentucky has an IWF although it is maintained as a non-profit private corporation. The corporation (IWF) is funded mainly from commissary profits. The majority of Kentucky's institutions have privatized commissary operations. The expenditures of the fund are similar to the types of expenditures in Maryland's IWF. The corporation's board oversees the IWF as well as the commissary operations. The Commissioner of Kentucky's DOC serves as the President of the Board. An independent CPA is responsible to conduct an annual audit and an annual report is submitted to the State of Kentucky.

## **CONCLUSION**

In the FY 2006 Joint Chairmen's Report, the budget committees expressed concerns about the maintenance and management of the Department's Inmate Welfare Fund. MD. ANN. CODE, Correctional Services, §§10-501 through 10-504, established an inmate welfare fund in each State correctional facility as a special continuing, non-lapsing fund. Inmate welfare funds may be used only for goods and services that benefit the general inmate population as defined by regulations adopted by the Department of Public Safety and Correctional Services. COMAR 12.11.09.04A specifies the inmate goods and services.

In FY 2006, the Department collected \$20.9 million in revenue for the Inmate Welfare Funds from sources that include commissary sales, inmate telephone commissions, vending commissions, and other miscellaneous sources. The funds are used for various services such as chaplaincy, consumer goods for resale, medical services, educational services, Inmate Grievance Office, and a variety of other services.

As directed by the language in the FY2006 Joint Chairmen's Report, the Department surveyed several states to gather information on how these states handled inmate welfare funds. The states surveyed were Virginia, West Virginia, Pennsylvania, New Jersey, and Kentucky. There is some commonality to their methods and usage of the funds as reported above.