



Department of Public Safety and Correctional Services

Office of the Secretary

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October 27, 2009

STATE OF MARYLAND

MARTIN O'MALLEY
GOVERNOR

ANTHONY G. BROWN
LT. GOVERNOR

GARY D. MAYNARD
SECRETARY

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ASSISTANT SECRETARY
CAPITAL PROGRAMS

RICHARD B. ROSENBLATT
ASSISTANT SECRETARY
TREATMENT SERVICES

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

The Honorable Norman H. Conway
Chairman, House Committee on Appropriations
Room 121, House Office Building
Annapolis, Maryland 21401-1991

RE: Joint Chairmen's Report on Fully Funding the
Department of Public Safety and Correctional Services

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

Dear Chairman Currie and Chairman Conway:

Language on pages 114-115 of the 2009 Joint Chairmen's Report, requested the following plan from the Department of Public Safety and Correctional Services and the Department of Budget and Management:

Further provided that the Department of Public Safety and Correctional Services (DPSCS), in collaboration with the Department of Budget and Management, shall submit a plan on how to fully fund DPSCS operations in fiscal 2010 and 2011, so as to avoid the need for future deficiency appropriations. The plan should specifically address underfunding for inmate food purchases, fuel and utility expenses, overtime expenditures, and adequate staffing. The report shall be submitted to the budget committees by October 1, 2009, and the budget committees shall have 45 days to review and comment following receipt of the plan.

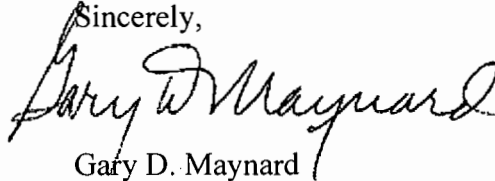
The attached report details the recent financial history of the Department of Public Safety and Correctional Services and the cost saving measures that have been implemented thus far to address numerous funding issues.

The report discusses consistent cost drivers that impact expenditures, additional cost drivers that will affect future expenditures, and actions that DPSCS has taken or plans to take to contain these cost drivers going forward.

DPSCS will continue to work with DBM to develop solutions to eliminate all budget shortfalls and the need for future deficiency appropriations.

We hope this report will be informative and helpful to you. If the DPSCS or DBM can be of further assistance, please do not hesitate to contact us.


Sincerely,



Gary D. Maynard

Secretary

Department of Public Safety and Correctional Services



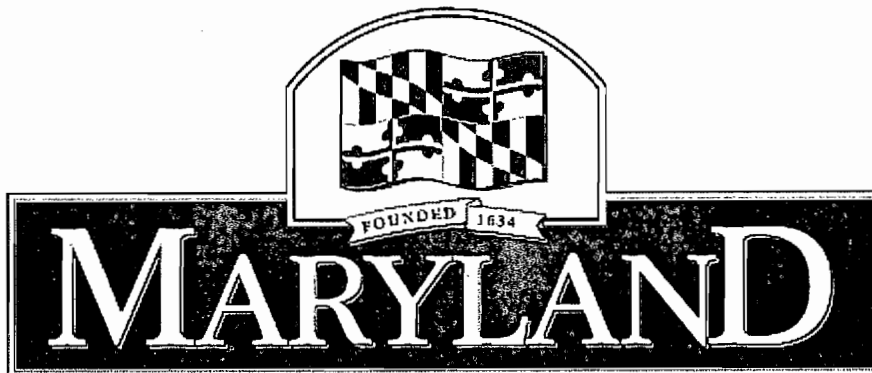
T. Eloise Foster

Secretary

Department of Budget and Management

Attachment

c: Mr. Matthew D. Gallagher, Governor's Chief of Staff
Mr. Joseph Bryce, Governor's Chief Legislative Officer
Ms. Stacy Mayer, Governor's Deputy Legislative Officer
Mr. David Grossman, Budget Analyst, DBM
Ms. Rebecca Burner, Legislative Affairs, DBM
Ms. Cathy Kramer, Department of Legislative Services
Ms. Sarah Albert, Department of Legislative Services (5)
Ms. Rebecca Moore, Legislative Analyst, DLS
Deputy Secretary G. Lawrence Franklin, DPSCS
Assistant Secretary/Chief of Staff Thomasina Hiers, DPSCS
Assistant Secretary Richard B. Rosenblatt, DPSCS
Assistant Secretary David N. Bezanson, DPSCS
Director Rhea L. Harris, Office of Legislative Affairs, DPSCS
Director Susan D. Dooley, Financial Services, DPSCS



**REPORT ON FULLY FUNDING THE DEPARTMENT OF PUBLIC SAFETY AND
CORRECTIONAL SERVICES**

**PREPARED FOR
THE SENATE BUDGET AND TAXATION COMMITTEE
AND
THE HOUSE COMMITTEE ON APPROPRIATIONS**

**IN ACCORDANCE WITH
PAGES 114 AND 115 OF THE 2009 JOINT CHAIRMEN'S REPORT**

**PREPARED BY
THE DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONAL SERVICES
GARY D. MAYNARD, SECRETARY**

**IN COLLABORATION WITH
THE DEPARTMENT OF BUDGET AND MANAGEMENT
T. ELOISE FOSTER, SECRETARY**

October 27, 2009

INTRODUCTION

The following report has been prepared in response to language contained on pages 114 and 115 of the Joint Chairmen's Report. The report requires the Department of Public Safety and Correctional Services (DPSCS), in collaboration with the Department of Budget and Management (DBM), to submit a plan on how to fully fund DPSCS operations in FY 2010 and 2011 to avoid the need for future deficiency appropriations. Specifically, it was requested that the plan address underfunding for inmate food purchases, fuel and utility expenses, overtime expenditures, and adequate staffing.

BACKGROUND

The mission of DPSCS is to protect the public, our employees, and the detainees and offenders under our supervision. DPSCS remains committed to meeting its mission and obligation to the citizens of Maryland despite financial challenges. Because of the financial hardships that have occurred during these difficult economic times, some expenditures have exceeded appropriation levels, and additional funding has been required. These rising expenditures include:

- personnel;
- fuel and utility costs;
- medical costs;
- raw food purchases; and
- food preparation costs.

The Department of Legislative Services projected that DPSCS would have a \$55.8 million shortfall if operations continued at current levels and would have a \$76.9 million shortfall if it operated at optimal staffing levels for FY 2010.¹ These figures include projected shortfalls in medical costs, raw food purchases, and personnel services, such as overtime and staffing.

Exhibit 1: Major Areas of Underfunding in Fiscal 2010 Allowance²

	<u>Allowance</u>	<u>Full- funding Estimate</u>	<u>Underfunding Based on Current Operations</u>	<u>Underfunding Based on Optimal Staffing Levels</u>
Raw Food Purchases	\$19.3	\$22.7	\$3.4	\$3.4
Fuel and Utilities	50.2	56.8	6.6	6.6
Overtime	40.5	50.6	10.1	-5.4
Staffing			35.7	72.3
Total			\$55.8	\$76.9

¹ Rebecca J. Moore, Department of Public Safety and Correctional Services Fiscal 2010 Budget Overview, (Department of Legislative Services, January 2009), page 25.

² Moore, page 25.

DEFICIENCY HISTORY

FY 2007

DPSCS' general fund expenditures exceeded its legislative appropriation by approximately \$44.86 million in FY 2007. DPSCS received deficiency appropriations of \$22.5 million for inmate medical costs, \$9.36 million for fuel and utility costs, \$7 million for overtime, and over \$6 million for security enhancements.

FY 2008

DPSCS received over \$81 million in additional funding in FY 2008. This funding included \$39 million for salary adjustments; \$8.3 million for 194 positions, including \$6.7 million for 155 correctional officer positions; \$8.2 million for fuel and utility costs; \$5 million for overtime; and \$4.2 million for inmate medical costs. In addition, DPSCS required a deficiency appropriation of \$7.58 million to cover overtime. DPSCS was able to cover shortfalls in raw foods and supplies and fuel and utilities within its existing budget because its vacancy rate was above the budgeted turnover amount.

FY 2009

DPSCS received a deficiency appropriation of \$8.0 million for overtime, \$2.79 million for raw food supplies, and \$4.42 million for fuel and utilities in FY 2009.

BUDGET BASELINE SHORTFALLS

Staffing and Personnel Issues

Historically, over-expenditures in personnel services have been related to overtime and staffing. The main causes of the deficiencies have been vacancy rates, cost of living adjustments, increments, and the creation of special assignment posts (SAP). SAPs were created to deal with security and contraband control in correctional facilities and inmate transportation.

Overtime deficiencies were \$7.0 million in FY 2007, \$7.6 million in FY 2008, and \$8.0 million in FY 2009. In addition to driving overtime, vacancy rates have been used to determine turnover expectancy rates, which are based on historical performance and fluctuate based on the ability of DPSCS to fill vacancies. Historically, DPSCS has had problems filling correctional officer vacancies. As a result, the budgeted turnover rate has increased, and funding for salaries and wages has been reduced. These changes have resulted in the reduction of funds that might have offset overtime expenditures.

Inmate Medical Cost

Historically, DPSCS used a regional approach to provide inmate medical contracts. In 2006, DPSCS requested bids for inmate medical services utilizing a different format.

The new RFP was based on the type of service, such as pharmacy, medical, utilization management, dental, and mental health. In estimating the total costs for the new contracts, the Office of Treatment Services estimated the liability costs and paid reimbursable amounts to the vendors based on the service provided. The estimated appropriation fell short of the actual costs, and, as a result, there was a deficiency of \$22.5 million in FY 2007.

Raw Foods, Food Preparation, and Supplies

The costs of raw foods, food preparation, and supplies are affected by the population of each custodial division, price fluctuations, and inflation in food costs of which the consumer price index (CPI) is an indicator. Over the past three years, the costs of raw foods have increased significantly because of transportation costs. Over the past two years, the CPI for food and beverages has increased from 3.9% to 5.4%.

The costs of food service for inmates and detainees directly contribute to overall operating costs for the custodial divisions of DPSCS. The custodial divisions prepare and serve over 90,000 meals a day, so even small increases in raw food costs can contribute to deficiencies. Actual expenditures for raw foods have increased by 4.04% since FY 2007. FY 2007 expenditures were \$20.92 million, FY 2008 expenditures were \$21.62 million, and FY 2009 expenditures were \$23.45 million. Furthermore, the FY 2010 appropriation is \$2.53 million less than the FY 2009 expenditure level.

Fuel and Utilities

Fuel and utility costs have increased over the past three years. CPI impacts the price of fuel and utility commodities similar to raw foods. Expenditures for fuel and utility costs were \$46.22 million in FY 2007, \$52.44 million in FY 2008, and \$52.53 million in FY 2009.

MAJOR ACCOMPLISHMENTS

Overtime Reduction

DPSCS has implemented many operating initiatives to address the causes of past deficiencies. As a result, DPSCS has reduced overtime while continuing to ensure the safe operation of its custodial facilities. Using StateStat analyses, DPSCS has been able to recognize and curb the continuing issues driving overtime. DPSCS also has been better able to gauge accountability and efficiency by tracking key indicators and measurements.

The custodial divisions of DPSCS have decreased overtime by \$4.3 million or 9.3%, from FY 2008 to FY 2009 and by \$10.4 million or 19.9%, from FY 2007 to FY 2009.

DPSCS Overtime Expenditures for FY 2007 through FY 2009

In the process of reducing overtime, DPSCS evaluated all SAPs throughout our correctional facilities. Many of the correctional facilities were using SAPs to fulfill staffing requirements. In order to reduce SAPs, DPSCS instituted a new policy that required wardens to receive authority from the commissioner's or director's offices to create permanent SAPs. This policy has reduced the use of overtime and the number of SAPs by 336 in the Division of Correction's facilities and 72 in the Division of Pretrial Detention and Services.

The reduction in overtime has not resulted in more assaults within the facilities. In fact, DPSCS has reduced the number of serious assaults in the correctional facilities by 34% over the past two years.

Staffing

Other accomplishments include the establishment of the Injured Workers Insurance Fund's (IWIF) Managed Return to Work Program. DPSCS established a pilot program in the correctional facilities to enable injured correctional personnel to return to work sooner. With the Return to Work Program, an injured employee can return to work in a limited capacity until the employee is fully recovered and cleared by medical staff for full capacity duty. DPSCS has seen an overall reduction of \$2.2 million to IWIF payments from FY 2008 to FY 2009. In addition, the average cost per claim has decreased under this initiative. Returning employees to work more expeditiously also has positive effects on staffing and overtime use.

The Return to Work Program is now operational in 14 correctional facilities and will be fully implemented for all custodial divisions by April 2010. Upon completion of the custodial facilities implementation, DPSCS will expand the program to the Division of Parole and Probation.

In addition, DPSCS has strengthened recruitment efforts to attract and hire more qualified personnel. In FY 2006, DPSCS started a recruitment and retention program that included sign-on bonuses, retention bonuses, and finder's fees. Newly-recruited correctional officers received a sign-on bonus for starting the correctional training academy and a retention bonus for remaining employed in good standing for one year. Retention bonuses were based on a satisfactory performance evaluation and limited use of sick leave. If a current employee recruited a new correctional officer, then he or she would receive a finder's fee payment based upon the new recruit's successful completion of one year of service. The implementation of these incentives increased the number of qualified recruits for the custodial facilities and reduced attrition rates. This bonus incentive program was ceased prior to June 30, 2009.

DPSCS also changed its procedures for correctional officer testing. Tests were made more accessible by adding more testing locations and using DPSCS personnel as volunteers to administer the walk-in tests. The Human Resources Services Division discovered that it could do more testing across the State if additional personnel operated the testing stations.

As a result, DPSCS employees volunteered and were trained to administer the correctional officer testing.

In addition, DPSCS has increased advertising to target new qualified recruits. The Communications Office developed new video advertisements for employee recruiting with DPSCS personnel espousing the virtues of employment with DPSCS. These advertisements can be viewed on the DPSCS website (www.dpscs.state.md.us). DPSCS also improved partnerships with community colleges, military bases, and recruitment coordinators; orchestrated job fairs; and placed billboard advertisements across the State.

All of the efforts detailed above produced higher vacancy fill rates. The percentage of filled correctional officer positions increased each year from calendar year 2006 through June 30, 2009. The associated percentages and numbers of authorized PINs filled were 90.4% (6,323) in FY 2006, 91.3% (6,372) in FY 2007, 93.7% (6,359) in FY 2008, and 98.9% (6,240) in FY 2009.

CURRENT EFFICIENCY EFFORTS

Staffing

DPSCS operates custodial facilities that function 24 hours a day, 7 days a week, for 365 days a year. There are specific costs associated with this continuous operation, especially the cost of staffing. Also, the relationship between the capacity and the population of various custodial facilities often creates staffing issues.

Currently, the overall population is stable. This stability, along with the opening of additional bed space at the North Branch Correctional Institution, has enabled DPSCS to redistribute the population in order to accommodate capital construction needs and depopulate the Toulson Correctional Facility by spring 2010. This redistribution will also enable the depopulation of the West Wing of the Metropolitan Transition Center (formerly the Maryland Penitentiary). DPSCS will continue to employ current employees of the Toulson Correctional Facility in other locations. These closings will provide savings of over \$4.7 million.

During the 2009 General Assembly Session, the Joint Chairmen requested that DPSCS perform a staffing analysis and report to them by December 1, 2009, and bi-annually thereafter. To that end, DPSCS has developed a work group of correctional management and union members, including the American Federation of State, County and Municipal Employees, to perform the analysis. DPSCS contracted with the National Institute of Corrections to provide work group training, which began in late September 2009.

Upon completion of the post-by-post staffing analysis, DPSCS will be able to better determine the component of necessary positions for each facility.

Overtime

In order to control overtime, DPSCS has implemented new policies for the creation of SAPs. As previously stated, the commissioner's or director's offices must approve all SAPs. As a result of StateStat, overtime changes are being monitored, cost drivers are being identified, and corrective action plans are being developed. This analysis allows divisions and agencies to examine changes and to reallocate resources in order to respond to these changes. It also provides for better accountability. Based upon current projections, DPSCS will not need additional funding for overtime in FY 2010.

Raw Foods and Supplies

An additional cost driver for DPSCS is the purchase of raw food supplies and food preparation. The Secretary developed a group, called a Food Kaizen, to evaluate and study dietary processes and raw food management in order to reduce costs. The Food Kaizen's mission was to study everything that contributed to the ordering, preparation, and storage of raw foods. The Kaizen's future action plans are:

- to evaluate whether juveniles in DPSCS custody qualify for the Maryland State Department of Education's Under 21 Inmate Breakfast and Lunch Program;
- to pursue how DPSCS can benefit from a federal food program;
- to standardize the correctional facilities menus for all meals in a cyclical program so that regional cost efficiencies can be realized by ordering in bulk;
- to investigate the ability of DPSCS to purchase food in spot market sales; and
- to standardize inmate and staff meal guidelines.

The FY 2010 projections for food and non-food materials and supplies, which assume a 2% increase over FY 2009 expenditures, are \$43.38 million. However, FY 2010 appropriations are \$37.23 million. As a result, DPSCS anticipates a \$6.15 million shortfall in FY 2010. In order to reduce costs for non-food supplies, DPSCS has developed an in-house automated, perpetual inventory system that has been approved by the Department of General Services. This inventory system is scheduled to roll out in fall 2010. The system accesses inventory on a real-time basis and shows individual item quantities and reorder requirements. It will improve internal controls on inventory for improved accountability and eliminate future legislative audit exceptions because it accounts for the receipt and consumption of goods and ensures adequate internal control procedures.

Operational Efficiencies

DPSCS has taken steps to develop creative solutions to increase operational efficiencies and reduce the likelihood of future deficiencies. DPSCS has developed an RFP for business solution consultants to evaluate and recommend management efficiencies in correctional facility operations. This RFP should be awarded by the end of calendar year 2009.

Fuel and Utilities

According to DBM projections, historical shortfalls in the area of fuel and utilities will be eliminated in FY 2010. The FY 2010 appropriation for fuel and utility costs is \$53.37 million, which is slightly higher than FY 2009 expenditures of \$52.53 million.

DPSCS is always seeking energy savings through capital construction projects, such as window replacements at the Division of Pretrial Detention and Services (Baltimore City) and the Maryland Correctional Training Center (Hagerstown). Other projects include various water conservation projects and the Maryland Energy Administration project in Hagerstown.

Inmate Medical Costs

As described previously, DPSCS started a new contractual program in FY 2006 with separate contracts by areas of service. Expenditures for inmate health care in FY 2009 were \$149.6 million. The FY 2010 appropriation is \$153 million. This 2.9% growth rate was due to the CPI for medical services. DPSCS was contractually obligated to apply the CPI increase to all salaries reimbursed within the contract. The monies reimbursed that were not salaries were increased at a rate higher than the CPI. Hospital costs increased because of the 5% rate increase which was granted by the Health Services Cost Review Commission. The pharmacy rate increased between 9 and 10%.

In addition to the pharmacy inflation rate being above the CPI, more inmate patients are entering Hepatitis C antiviral treatment. A number of inmates have been under observation for several years under the Hepatitis C treatment program and have enzyme levels that indicate liver deterioration approaching the level that requires treatment. The anti-viral treatment cannot be delayed. Thus, the number of inmates in treatment will continue to grow.

The FY 2010 projected cost for inmate health care is \$158 million, which is approximately \$5 million over the FY 2010 appropriation. The increase is due to the consumer price index and inflation for health care, coupled with increased growth in pharmacy and an increased number of Hepatitis C patients receiving antiviral treatment. The current medical contracts expire on June 30, 2010, and there will be a new RFP process for contracts applicable to FY 2011. DPSCS intends to maintain the multi-vendor approach to the delivery of service in order to maximize competition.

CONCLUSION

DPSCS has implemented a number of cost saving measures to reduce the need for additional funding to meet operating costs. DPSCS will continue to work with DBM to reduce overtime, reduce vacancies, reduce the costs of raw foods, and seek operational efficiencies in the custodial facilities. However, it is likely that areas such as materials and supplies, medical costs, staffing costs, and equipment costs will continue to experience budget shortfalls.

DPSCS and DBM are working to develop solutions to eliminate all budget shortfalls. The solutions developed will take into consideration the State's current fiscal situation and will avoid major impacts on the mission of DPSCS, which is to protect the public, our employees, and the detainees and offenders under our supervision.