

**Q00B00**  
**Division of Correction**  
**Department of Public Safety and Correctional Services**

***Operating Budget Data***

(\$ in Thousands)

	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 07-08</b>	<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Fund	\$587,827	\$641,348	\$680,747	\$39,399	6.1%
Special Fund	58,456	63,573	67,240	3,666	5.8%
Federal Fund	7,855	9,913	7,588	-2,326	-23.5%
Reimbursable Fund	<u>5,702</u>	<u>4,911</u>	<u>4,729</u>	<u>-183</u>	<u>-3.7%</u>
<b>Total Funds</b>	<b>\$659,840</b>	<b>\$719,746</b>	<b>\$760,303</b>	<b>\$40,556</b>	<b>5.6%</b>

- Seven deficiency appropriations, totaling approximately \$32.8 million, are for the purchase of motor vehicles and security supplies and equipment; fuel and utility costs; and increased expenditures for the inmate medical contract.
- The fiscal 2008 allowance increases approximately \$40.6 million, or 5.6%. Increases in personnel expenses, inmate medical costs, and fuel and utilities account for 96.0% of the growth. Adjusting for the decline in health insurance costs due to one-time savings, and fiscal 2007 deficiencies for ongoing operating costs, actual growth in the underlying budget is \$35.8 million, or 4.9%.

***Personnel Data***

	<b>FY 06</b>	<b>FY 07</b>	<b>FY 08</b>	<b>FY 07-08</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	7,309.50	7,432.50	7,609.50	177.00
Contractual FTEs	<u>40.20</u>	<u>85.98</u>	<u>79.08</u>	<u>-6.90</u>
<b>Total Personnel</b>	<b>7,349.70</b>	<b>7,518.48</b>	<b>7,688.58</b>	<b>170.10</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	254.16	3.34%
Positions Vacant as of 12/31/06	750.00	10.09%

- The division's regular personnel complement increases by a net 177 positions, which include 134 correctional officers, 2 intelligence officers, 25 recreational officers, 10 maintenance officers, and 7 regular chaplain positions. These new positions are based on a recalculation of the relief factor and the creation of new posts as a result of security assessments.

Note: Numbers may not sum to total due to rounding.

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## *Analysis in Brief*

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### Issues

***Project Reentry Enforcement Services Targeting Addiction, Rehabilitation, and Treatment (RESTART):*** The department has begun the process of limited expansion of RESTART services to the pre-release system. Despite high participation rates, preliminary data show 35 to 40% of participating inmates do not complete all programming. **The department should comment on how RESTART programming at the pre-release facilities will differ from the two pilot sites and what the process will be for channeling inmates from the pilot sites to the various pre-release locations. The department should further comment on when it anticipates participation data for the pre-release participants. The department should comment on how inmates are identified and selected to participate in the various RESTART services and discuss why the non-completion rates are so high. The department should further comment on the measures being taken to reduce the number of inmates who do not complete programming.**

***Correctional Officer Recruitment and Retention Efforts:*** Measures to enhance the recruitment and retention efforts of the department were implemented by the General Assembly during the 2006 session. Early data indicate the programs may be having a positive impact on the number of applicants, but there are currently not enough data to analyze the impact on turnover. **The Department of Legislative Services recommends that the department submit a report analyzing the impact of the correctional officer salary increase and bonus programs on the recruitment and retention efforts of the department.**

***Maryland Correctional Enterprises Correctional Education Funding:*** The Maryland Correctional Enterprises (MCE) is unable to transfer the \$1.0 million to the Maryland State Department of Education (MSDE) for correctional education programs for fiscal 2007 and 2008 due to cash flow problems. This will likely have an impact on the availability of correctional education services. **The department should comment on why MCE is experiencing cash flow problems and what steps are being taken to address those problems. The department should also comment on why MCE committed itself to these projects despite knowing about the legislation requiring a \$1.0 million annual transfer to MSDE. The department should further comment on how the cash flow problems will impact the designated capital projects and MCE's ability to meet its productions goals, in addition to how the reduction in education funds will impact the functioning of existing correctional education programs.**

## **Recommended Actions**

	<b><u>Funds</u></b>
1. Add language restricting funds allocated for RESTART programs.	
2. Adopt narrative requiring the department to submit a report analyzing the impact of the correctional officer salary increase and bonus programs.	
3. Reduce appropriation for replacement vehicles.	\$ 276,581
<b>Total Reductions</b>	<b>\$ 276,581</b>

## **Updates**

***Prescription Drug Purchasing Options:*** A *Joint Chairmen’s Report* response submitted in October 2006 concluded that correctional institutions do not meet the criteria of a “covered entity” in order to participate in the 340B program, and therefore, are ineligible to receive discounts on prescription drugs.

***Medicaid Reimbursements:*** A *Joint Chairmen’s Report* response submitted in October 2006 concluded that since inmates are wards of the State, they are receiving medical coverage through the State. Therefore, they are ineligible to receive Medicaid reimbursements.

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**Department of Public Safety and Correctional Services**

***Operating Budget Analysis***

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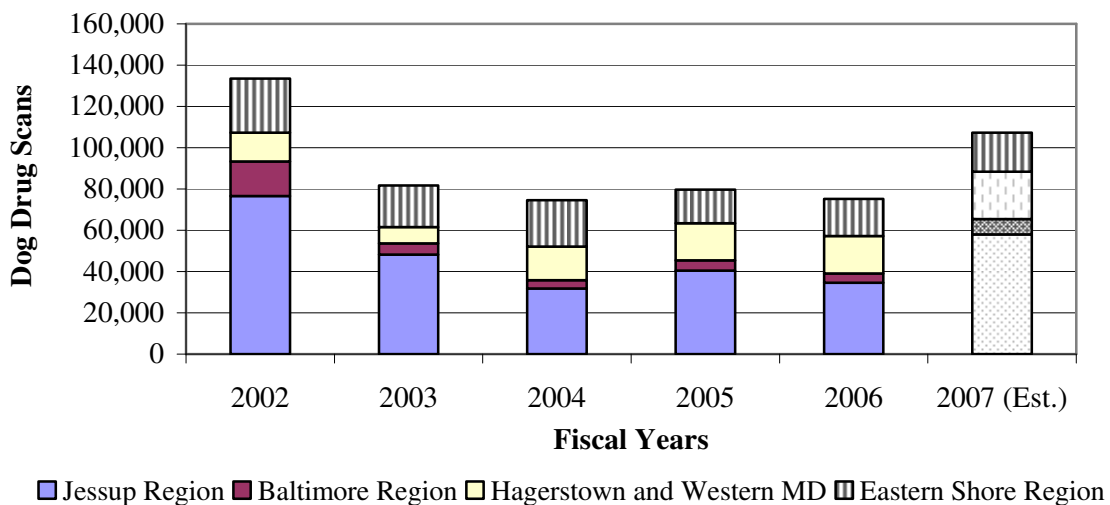
**Program Description**

The Division of Correction (DOC) supervises the operation of State correctional institutions in accordance with applicable State and federal law. The division provides public safety and victim services through information sharing and the supervision of defendants and offenders located in the community, in places of safe, secure, and humane confinement.

**Performance Analysis: Managing for Results**

The Canine Operations Unit serves to enhance institutional security by providing trained dogs and handlers for drug detection and response to institutional events at State correctional facilities. **Exhibit 1** shows the number of dog drug scans conducted within each DOC region. The total number of drug scans declined approximately 39% between fiscal 2002 and 2003. This is largely due to funding reductions and reduced personnel. Since 2003, the number of scans has decreased by roughly 8%. However, the department expects to increase the number of scans during 2007 by 43%, an increase of 32,000 scans over the 2006 total. **The department should be prepared to comment on how it intends to accomplish this significant increase in fiscal 2007.**

**Exhibit 1**  
**Canine Unit Drug Scans – Division of Correction Region**

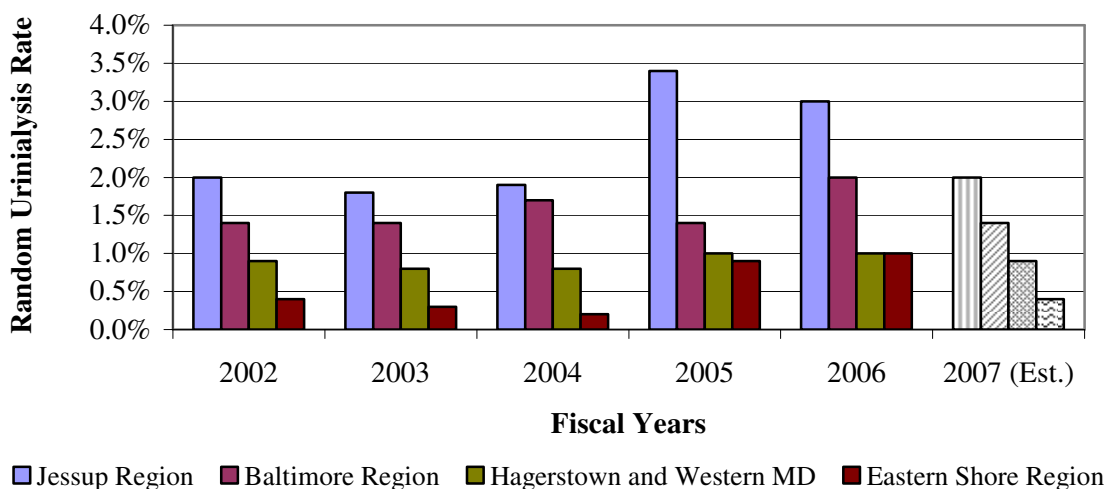


Source: Department of Public Safety and Correctional Services

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The division’s Managing for Results objective in conducting the dog drug scans is to restrict the prevalence of drug usage within correctional facilities to fiscal 2002 levels or below. As **Exhibit 2** demonstrates, the division has struggled to meet this goal since fiscal 2004, seeing significant increases in the rates of positive urinalysis results among all regions of the State. The most notable increase has been in the Jessup region where the rate of positive results nearly doubled between fiscal 2004 and 2005, from 1.9 to 3.4%. Interestingly enough, Jessup also accounted for approximately 46.0% of all dog drug scans in 2006. **The department should comment on why it has struggled to meet its goal in fiscal 2005 and 2006 and what measures are being taken to meet the targeted random urinalysis rate. The department should further comment on the role of the Canine Unit within the institutions, specifically addressing the unit’s part in identifying and controlling the presence of drugs and other contraband within the prison facilities.**

**Exhibit 2**  
**Prevalence of Drug Usage within Correctional Facilities**  
**As Measured by Random Urinalysis Rates**



Source: Department of Public Safety and Correctional Services

## Fiscal 2007 Actions

### Proposed Deficiency

DOC has a total of seven deficiency appropriations totaling \$32,674,239 for fiscal 2007:

- Of this amount, \$18.7 million is for payments to contractors for inmate medical services. This brings total DOC expenditures for the inmate medical contract in fiscal 2007 to approximately \$110.0 million.
- There are three deficiency appropriations for fuel and utilities, one for \$2.9 million to cover the increasing costs of electricity, one for \$3.5 million to pay for fuel oil, and \$1.2 million for the increasing cost of generating steam.

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- The final three deficiency appropriations, totaling approximately \$6.4 million, are for the purchase of additional security equipment, supplies, and 79 replacement vehicles used for security and inmate transport.

### **Annual Salary Review**

The fiscal 2007 budget passed by the General Assembly included \$32.2 million for correctional officer salary increases and bonuses budgeted under the Department of Budget and Management (DBM). (See Issue 2 for further discussion). To date, DBM has transferred 75% of these funds to the Department of Public Safety and Correctional Services (DPSCS). DBM plans to transfer the additional \$8.1 million when DPSCS has a more precise estimate of the cost of the enhancements, especially the bonuses. Year-to-date fiscal 2007 overtime spending for DOC has already exceeded the legislative appropriation by approximately 3.6%, or \$865,000. To the extent the \$8.1 million remaining to be transferred from DBM is not needed for salary enhancements and bonuses, it could be used to cover overtime expenses. Given the current increase in overtime spending, however, it is likely that additional funds beyond the \$8.0 million may be needed.

### **Governor's Proposed Budget**

**Exhibit 3** shows that the fiscal 2008 allowance increases by approximately \$40.6 million, or 5.6% over the fiscal 2007 working appropriation.

Personnel expenses account for a net \$10.2 million, or 25% of the growth. The allowance includes \$7.8 million for employee increments, and \$6.5 million for the proposed 178 new positions. Overtime spending decreases approximately \$9.0 million, or 36% from the fiscal 2007 working appropriation. It is likely that this is underfunded, given that a majority of the proposed positions are needed to fill posts currently staffed by paying existing correctional officers overtime.

The allowance includes a \$19.2 million increase for the inmate medical contract in fiscal 2008. This brings total inmate medical expenditures for the Division of Correction to \$110.2 million, or 83% of total inmate medical expenditures.

Fuel and utilities increase by approximately \$9.8 million. This amount includes significant increases for fuel oil, electricity, wastewater treatment, and natural gas. The \$1.0 million increase for natural gas and \$2.6 million increase for electricity is largely for the expansion of the Brockbridge kitchen/dining room and the opening of a new support services building and housing unit at North Branch Correctional Institution (NBCI).

The remainder of the growth is largely the net result of increases in funding for commissaries, institutional operations, and inmate education offset by the expiration of a federal grant for Serious and Violent Offender Reentry services and the realignment of funds from DOC to the Patuxent Institution for substance abuse treatment programs.

**Exhibit 3  
Governor’s Proposed Budget  
Division of Correction  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
2007 Working Appropriation	\$641,348	\$63,573	\$9,913	\$4,911	\$719,746
2008 Governor’s Allowance	<u>680,747</u>	<u>67,240</u>	<u>7,588</u>	<u>4,729</u>	<u>760,303</u>
Amount Change	\$39,399	\$3,666	-\$2,326	-\$183	\$40,556
Percent Change	6.1%	5.8%	-23.5%	-3.7%	5.6%

**Where It Goes:**

**Personnel Expenses**

New positions .....	\$6,458
Abolished/transferred positions.....	-43
Increments and other compensation .....	7,875
Overtime.....	-9,121
Health insurance costs decline due to one-time savings.....	-15,905
Retirement .....	7,013
Workers’ compensation premium assessment.....	279
Turnover adjustments .....	13,754
Other fringe benefit adjustments .....	-147

**Other Changes**

Inmate Medical Contract.....	19,248
Fuel and utilities .....	9,800
Inmate Welfare Funds used for commissaries and institutional operations; includes addition of new commissary at the North Branch Correctional Institution.....	1,029
Library services funded through Inmate Welfare Funds .....	752
Motor vehicles.....	517
Replacement and upgrade of laundry equipment due to transfer of laundry operations to Maryland Correctional Enterprises.....	418
Expiration of federal grant for Serious and Violent Offender Reentry Initiative.....	-1,516
Realignment of funds from the Division of Correction to Patuxent for Therapeutic Communities based on new contracts .....	-664
Other.....	808

**Total** **\$40,556**

Note; Numbers may not sum to total due to rounding.

## Fiscal 2008 Unrealistic Estimations

An analysis of current spending in the fiscal 2007 budget suggests that the fiscal 2008 allowance might be significantly misestimated. **Exhibit 4** shows the real growth in the fiscal 2008 budget for the division, accounting for the savings from the health insurance surplus and the fiscal 2007 deficiency appropriations for inmate medical services and fuel and utilities. These deficiencies are in areas that have been consistently under funded in previous years. As the exhibit shows, the fiscal 2008 allowance shows real growth of approximately 4.9%. This growth masks significant misestimating for the inmate medical contract, overtime spending, and turnover expectancy.

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**Exhibit 4**  
**Division of Correction**  
**Real Growth in the Fiscal 2008 Budget**

	<u>FY 2007</u>	<u>FY 2008</u>	<u>% Change</u>
Appropriation	\$719,746,164	\$760,302,662	5.6%
Deficiencies	26,300,000		
Health Insurance Surplus	-21,493,361		
<b>Underlying Growth</b>	<b>\$724,552,803</b>	<b>\$760,302,662</b>	<b>4.9%</b>

Source: Department of Public Safety and Correctional Services

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## Inmate Medical Services

Funding for inmate medical services only increases approximately \$200,000 between fiscal 2007 and 2008, once the deficiency appropriation is accounted for. Given the considerable escalation of the contract in the past two years, the fiscal 2008 allowance is likely underestimated.

## Overtime

**Exhibit 5** shows DOC overtime spending from fiscal 2005 through 2008. Overtime spending in the fiscal 2008 allowance is nearly 36% less than the fiscal 2007 working appropriation, which already exceeds the legislative appropriation by \$1.6 million. Year-to-date overtime spending is approximately \$24.6 million, approximately \$865,000 more than legislative appropriation. Given the recent trend in overtime spending and the number of security posts that are currently being filled through overtime spending, the approximately \$9.0 million decrease between fiscal 2007 and 2008 seems unrealistic. It is likely that additional overtime funding will be needed.

**Exhibit 5**  
**Division of Correction**  
**Overtime Expenditures**

	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Appropriation</u>	<u>2007</u> <u>Working</u>	<u>2007</u> <u>YTD</u>	<u>2008</u> <u>Allowance</u>
Overtime Spending	\$15,018,523	\$28,530,786	\$23,732,401	\$25,350,628	\$24,597,257	\$16,229,205

Source: Department of Public Safety and Correctional Services

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### **Turnover Expectancy**

One area that could potentially offset the under funded overtime is the low budgeted turnover rate. Since 2005, the agency's turnover rate has been higher than 9.5%, and as of December 31, 2006, the vacancy rate was 10.09%. The agency has a budgeted turnover rate of 3.34% for fiscal 2008. The department has not achieved a vacancy rate that low since prior to fiscal 2003. Given the historical vacancy trends, this vacancy rate seems unrealistic, and it is likely that turnover is over funded. A 1% increase in turnover equates to about \$3.8 million.

**The department should comment on the potential for under funding and the impact on operations in fiscal 2007 and 2008, given the identified unrealistic estimations. It should also address the impact on operations if overtime and inmate medical services continue to be under funded and should identify any additional deficiencies in funding for fiscal 2007 and 2008.**

### **Personnel**

The fiscal 2008 allowance includes the addition of 178 new positions for the Division of Correction. This includes 134 correctional officers (COs), 25 correctional recreation officers, 10 correctional officer maintenance mechanics, 2 correctional officer lieutenants used for intelligence, and 7 chaplains. These new positions are requested due to the department's recalculation of its relief factor and the need for additional security posts resulting from new security assessments conducted within the institutions. These additional security posts are currently being funded through overtime.

The Hagerstown region is receiving the largest portion – 44% – of the new positions, with an increase of 79. The eastern region accounts for the second largest share of the new positions, with 22%, or 40 new positions. The Baltimore region is third with 16%, followed by the western region (8%), and the Jessup region (6%). The women's facilities and pre-release system are only receiving 2 new positions each, out of the 178 total new positions.

## ***Issues***

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### **1. Project Reentry Enforcement Services Targeting Addiction, Rehabilitation, and Treatment (RESTART)**

In November 2003, the Department of Public Safety and Correctional Services announced a philosophical shift from a system that focuses on confinement and control to one that focuses on rehabilitation and cognitive restructuring. While DPSCS has always offered some rehabilitative programming, the department believes that increasing the amount and quality available will help combat rising recidivism rates. The department launched the program at two pilot sites in January 2005. The two pilot sites are the Maryland Correctional Training Center (MCTC) in Hagerstown and the Maryland Correctional Institution for Women (MCI-W) in Jessup. MCTC is a medium security institution, and MCI-W is a multi-level security institution.

#### **Current Status**

The fiscal 2008 allowance for RESTART services is approximately \$4.1 million. This includes \$671,000 for expansion of services to pre-release facilities.

#### **Pre-release Expansion**

In fiscal 2007, DPSCS began expanding RESTART services to the pre-release system to those participants who have received a minimum of 12 months of services at either of the two pilot sites. Continued reinforcement of cognitive behavior concepts and substance abuse treatment aftercare will be available to these inmates.

The curriculum for programming at the pre-release facilities has been devised. However, the department is in the early stages of hiring the positions needed to administer the services. As such, there is currently no participation data beyond the two pilot sites. **The department should comment on how RESTART programming at the pre-release facilities will differ from the two pilot sites and what the process will be for channeling inmates from the pilot sites to the various pre-release locations. The department should further comment on when it anticipates participation data for the pre-release participants.**

#### **Staffing**

To date, staffing for RESTART services at the two pilot sites is near full, although the department has struggled to fill addictions counselor and social worker positions. Thirteen new positions were provided in fiscal 2007 for expansion of RESTART to pre-release facilities. These new positions include four social workers, three case management specialists, two psychologists, and four addictions counselors. These positions have not been filled yet.

## **Participation**

In September 2006, the department submitted a *Joint Chairmen's Report* response on RESTART Interim Program Measurements. According to the report, since the inception of RESTART programming, there have been a total of 4,553 program participations involving 2,109 inmates. The difference in these numbers is due to inmates participating in more than one program at the same time or over the full course of treatment. Despite these high participation rates, preliminary data show 38.9% of inmates at MCTC and 35.0% of inmates at MCI-W enrolled in program modules do not finish all lessons in the module due to disruptive behavior, release to the community, transfer to another institution, or withdrawal from the program.

**The department should comment on how inmates are identified and selected to participate in the various RESTART services and discuss why the non-completion rates are so high. The department should further comment on the measures being taken to reduce the number of inmates who do not complete programming for the reasons given above.**

## **Future Expansion**

DPSCS recently submitted a report on its plans for further expansion of RESTART. In the short-term, the agency plans to create a “therapeutic milieu” within the male RESTART pilot site (MCTC), providing therapeutic programming to approximately 1,200 inmates of the total population of 3,000. Remaining inmates will participate in education/vocation programs and other structured “non-treatment” programs until they can be cycled through the therapeutic program. Disruptive inmates and those designated as not conducive to receiving treatment will be housed separately from participating inmates or transferred to other facilities, so as not to negatively influence the RESTART population. In the long-term, DPSCS would like to complete the expansion of RESTART services to the pre-release system and begin expanding to the Eastern Correctional Institution Annex in fiscal 2009. Expansion to the Maryland Correctional Institution – Hagerstown, Eastern Correctional Institution (east or west side), and Western Correctional Institution – is anticipated by fiscal 2011.

**The Department of Legislative Services (DLS) recommends that the department not expand RESTART programming until the department experiences better completion rates for RESTART participants and is able to report recidivism data. RESTART programming should also not expand to pre-release institutions for offenders who have received less than one year of RESTART services.**

## **2. Correctional Officer Recruitment and Retention Efforts**

### **2006 Actions**

During the 2006 session, in an effort to improve staffing at correctional facilities, the State took a number of steps to improve the recruitment and retention efforts of the Department of Public Safety and Correctional Services. These included salary increases for correctional officers and the implementation of a bonus program. The specific intent of these enhancements was to increase the number of correctional officer applicants and to decrease turnover for correctional officer positions.

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The fiscal 2007 State budget included \$32.2 million for correctional officer salary increases and bonuses. The budget also included a \$6.5 million deficiency appropriation to make the correctional officer salary increase effective in April 2006. The increase raised the starting salary for correctional officers to \$34,313 and provided, on average, a 9.8% salary increase for all correctional officers.

The final component was the implementation of a Sign-on Bonus and Finder's Fee Bonus. These were implemented in November 2005, with first payments being made in May 2006. The Sign-on Bonus includes a \$1,000 hiring bonus, with \$500 awarded after the correctional officer has been working six months, and the remaining \$500 awarded after 12 months. The Finder's Fee Bonus awards correctional officers who recruit new employees. The Finders Fee Bonus awards \$250 after the new recruit has worked 6 months and an additional \$250 after 12 months. From November 2005 to November 2006, the department has paid 357 sign-on bonuses for a total of \$179,000.

### **Impact of 2006 Actions**

#### **Correctional Officer Testing**

One preliminary measure of the impact of the bonus programs and salary increase is the number of applicants for Correctional Officer I positions. In March 2005, the department instituted a new Correctional Officer I test as the result of a joint venture between DPSCS, DBM, and the University of Baltimore. As a result, applicants took Part I of the new test on-line and scheduled Part II at the department's test sites. As the year progressed, the department recognized that there were large numbers of applicants who registered to take the test but failed to appear when scheduled. As a result, the department went to unscheduled walk-in testing in January 2006.

**Exhibit 6** shows the number of applicants tested and the total number of testing dates for calendar 2004 through 2006. In 2004, there were 3,054 applicants tested by the department's Recruitment and Examination Unit. The 30 test dates took place at locations in Baltimore and Hagerstown. Between calendar 2005 and 2006, the number of applicants increased nearly 90%, from 3,036 to 5,757, and the number of test dates nearly tripled. The 155 test dates in calendar 2006 occurred at locations in Baltimore, Jessup, Hagerstown, Salisbury, Snow Hill, and Cumberland.

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**Exhibit 6**  
**Correctional Officer I Testing**  
**Calendar 2004-2006**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>% Increase</u> <u>2005-2006</u>
Test Dates	30	58	155	167.2%
Applicants Tested	3,054	3,036	5,757	89.6%
Applicants Interviewed	2,129	2,568	3,807	48.2%
Applicants Hired	807	935	1,098	17.4%
Pass Rate	98.6%	92.2%	86.9%	-5.7%

Source: Department of Public Safety and Correctional Services

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Despite the approximately 17.0% increase in the number of applicants hired between calendar 2005 and 2006, the passing rate for applicants has declined 5.7% during the same time period. According to the department, the top five reasons applicants are not selected are:

- drug history;
- criminal record;
- poor work history;
- false information given to investigator; and
- falsification of application

**Correctional Officer Vacancies**

**Exhibit 7** shows the percent of COs I, II, and sergeant positions vacant as of December 31, 2004, 2005, and 2006. According to the exhibit, the vacancy rate has more than doubled between calendar 2004 and 2006, from 4.3 to 9.6%.

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**Exhibit 7**  
**DPSCS Correctional Officer I, II, and Sergeant Positions**  
**Percent of Positions Vacant**

<u>Region</u>	<u>31-Dec-04</u>	<u>31-Dec-05</u>	<u>31-Dec-06</u>
Baltimore	1.9	3.3	6.6
Jessup	5.3	12.3	14.3
Eastern Shore	5.8	7.7	1.3
Hagerstown	6.6	4.6	3.9
Western MD	2.4	26.4	26
<b>Total</b>	<b>4.3</b>	<b>8.7*</b>	<b>9.6**</b>
Adjusted for New Positions		6.5	5.6

\*Includes 137 vacant positions for North Branch Correctional Institution.

\*\*Includes 120 vacant positions for North Branch Correctional Institution Housing Unit #2 and 136 new positions established July 1, 2006.

Source: Department of Public Safety and Correctional Services

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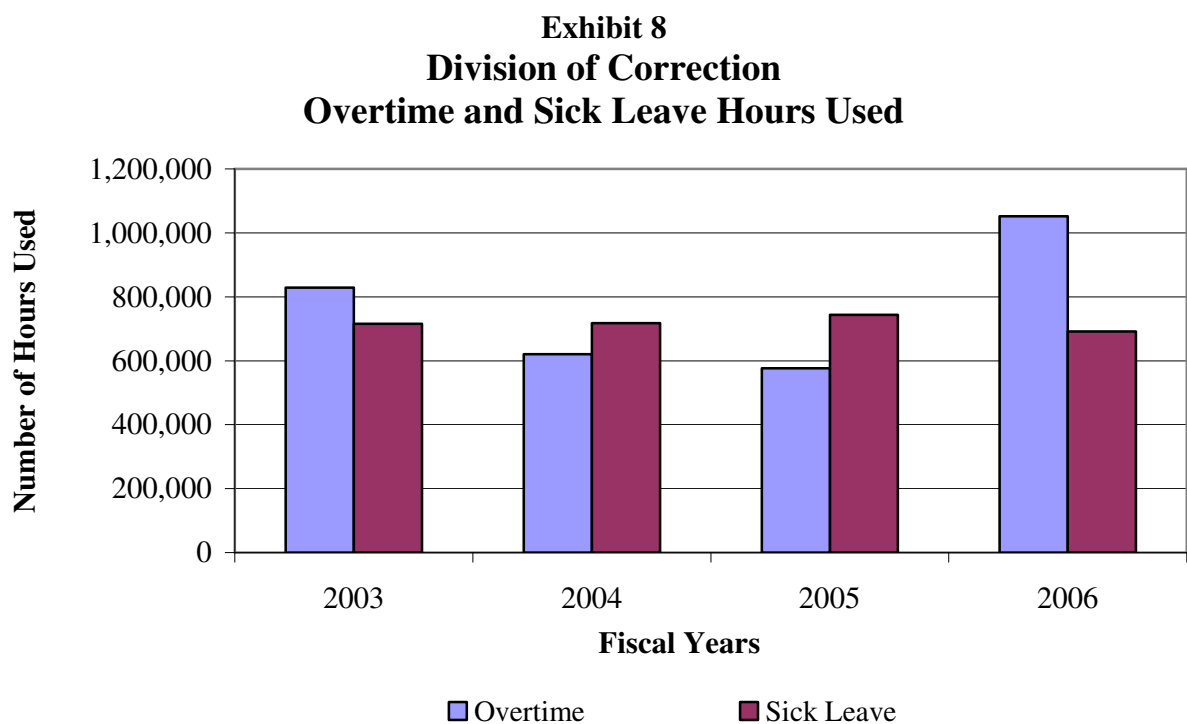
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The vacancies for 2005 include 137 positions for the opening of the second housing unit of the North Branch Correctional Institution. The fiscal 2006 vacancies include 120 positions for NBCI and an additional 136 new positions established in fiscal 2007. Adjusting for the addition of new positions and the opening of a new facility, the vacancy rate for fiscal 2006 remains higher than fiscal 2004, with 5.6% of positions vacant. However, this is a decrease from the fiscal 2005 adjusted vacancy rate of 6.5%.

According to the department, it is premature to evaluate the effectiveness of the bonus program or the salary increase on reducing turnover until the end of fiscal 2007. At that time, the department will be able to evaluate the historical turnover rates prior to the bonus programs and salary increase compared to an entire fiscal year since the implementation of the programs.

**Overtime and Sick Leave**

**Exhibit 8** shows the number of overtime and sick leave hours used from fiscal 2003 through 2006. Sick leave hours have fluctuated over the past four years, most recently declining 4% to approximately 691,000 hours. Overtime hours declined by 31% between fiscal 2003 and 2005 but nearly doubled between 2005 and 2006.



Source: Department of Public Safety and Correctional Services

Overtime hours have likely increased as a result of new security assessments conducted within the correctional facilities which identified the need for a number of additional security posts. These posts are being filled by existing correctional officers through the use of overtime. The 134 correctional officer positions included in the fiscal 2008 allowance are to fill these additional posts and, in effect, reduce overtime expenditures. If the retention of correctional officers increases because of the salary increase and bonus programs, it could be anticipated that overtime and sick leave usage may decrease further. **DLS recommends that the department submit a report analyzing the impact of the correctional officer salary increase and bonus programs on the recruitment and retention efforts of the department, specifically addressing reductions in overtime and sick leave, reduced turnover, and increases in applicants.**

### **3. Maryland Correctional Enterprises Correctional Education Funding**

Legislation has required the Maryland Correctional Enterprises (MCE) to transfer \$1.0 million to the Maryland State Department of Education (MSDE) each year from fiscal 2006 through 2009 for the operation of educational programs in correctional institutions, so long as the funds existed in excess of what is required for MCE operations. In December 2006, DPSCS submitted a letter to the budget committees requesting that MCE be allowed to not transfer the \$1.0 million for fiscal 2007 and 2008 due to cash flow problems.

#### **Cash Flow Concerns**

According to the department, MCE must have an average cash balance of approximately \$4.0 million to meet the requirements of inventory purchases, production timelines, sales delivery, and collection of payments for their products. **Exhibit 9** shows MCE's fiscal 2007 and 2008 cash flow projections. MCE anticipates generating approximately \$6.7 million in available cash for fiscal 2007. Approximately \$1.6 million is committed to the purchase of vehicles and equipment and for capital improvement projects needed to improve and expand MCE operations. The capital projects include \$40,000 for a drying room at Eastern Correctional Institution and \$200,000 for a warehouse in Hagerstown. If DPSCS were to transfer the \$1.0 million to MSDE, the fiscal 2007 ending cash balance would be slightly less than \$4.2 million.

MCE is projecting fiscal 2008 cash revenues to be approximately \$1.4 million. Combined with the funds carried over from fiscal 2007, the projected available cash in fiscal 2008 is approximately \$5.6 million. MCE has committed nearly \$3.6 million to the purchase of vehicles and equipment and for capital improvement projects needed to improve and expand MCE operations. The capital projects include \$1.6 million for the Hagerstown warehouse, \$557,787 for repayment of the Central Laundry loan, and \$200,000 for a Meat Plant Freezer project. Given these commitments, if DPSCS were to transfer \$1.0 million to MSDE, the fiscal 2008 ending cash balance would be less than \$1.0 million.

**Exhibit 9**  
**Maryland Correctional Enterprises**  
**Cash Flow Projection**  
**As of December 4, 2006**

<u>Fiscal 2007</u>	<u>With MSDE Transfer</u>	<u>Without MSDE Transfer</u>
Projected Cash Available	\$6,774,560.51	\$6,774,560.51
Cash Commitments		
<i>Equipment and Vehicles</i>	(1,377,050.36)	(1,377,050.36)
<i>Capital Projects</i>	(240,000.00)	(240,000.00)
<i>MSDE Transfer</i>	(1,000,000.00)	
<b>Ending Cash Balance</b>	<b>4,157,510.15</b>	<b>5,157,510.15</b>
<b>Fiscal 2008</b>		
Projected Cash Available	\$5,587,310.15	\$6,587,310.15
Cash Commitments		
<i>Equipment and Vehicles</i>	(1,241,946.00)	(1,241,946.00)
<i>Capital Projects</i>	(2,357,787.00)	(2,357,787.00)
<i>MSDE Transfer</i>	(1,000,000.00)	
<b>Ending Cash Balance</b>	<b>987,577.15</b>	<b>2,987,577.15</b>

MSDE: Maryland State Department of Education

Source: Department of Public Safety and Correctional Services

Even if DPSCS does not transfer the funds to MSDE for correctional education, MCE would still not have a fiscal 2008 ending cash balance of \$4.0 million. If the \$1.0 million were not transferred to MSDE in fiscal 2007 and 2008, the ending cash balance for MCE would be slightly less than \$3.0 million. MCE has over committed itself to projects and purchases, regardless of its commitment to MSDE. It is likely that the projects or purchases designated for funding in fiscal 2008 will be delayed. **The department should comment on why MCE is experiencing cash flow problems and what steps are being taken to address those problems. The department should also comment on why MCE committed itself to these projects despite knowing about the legislation requiring a \$1.0 million annual transfer to MSDE. The department should further comment on how the cash flow problems will impact the designated capital projects and MCE’s ability to meet its productions goals.**

## Impact on Correctional Education

**Exhibit 10** shows DPSCS funding transferred to MSDE for correctional education programs. Funding for these programs decreases by approximately \$450,000, between fiscal 2006 and 2007. DPSCS provided additional Inmate Welfare Funds and Governor’s Expansion Funds for fiscal 2007 to help offset the reduction in MCE funding.

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### Exhibit 10 DPSCS Funding for Correctional Education Fiscal 2006-2008

	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund	\$1,056,226	\$1,222,857	\$1,227,004
Special Fund	879,076	1,257,675	1,271,683
Maryland Correctional Enterprises	1,000,000	0	0
<b>Total</b>	<b>\$2,935,302</b>	<b>\$2,480,532</b>	<b>\$2,498,687</b>

Source: Department of Public Safety and Correctional Services

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The impact on educational services as a result of the \$1.0 million not being transferred was the elimination of 8 proposed academic instructional assistant positions that were intended to support classroom instruction and eliminate the need to cancel class if ever a teacher was absent. Additionally, 20 proposed vocational instructional assistants were eliminated from the original educational spending plan. In addition to assisting with vocational instruction, these positions were intended to be responsible for the tool control function to enable the instructor to teach for the entire class period without devoting a significant amount of time to security measures. Lastly, the inability to transfer the \$1.0 million resulted in there being no equipment replacement for the vocational shops identified as being in need of replacement/upgrade.

**The department should comment on how the elimination of these programs and positions will impact the functioning of existing correctional education programs, specifically addressing the impact on the number of inmates receiving services.**

## ***Recommended Actions***

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1. Add the following language:

Provided that funding for Reentry Enforcement Services Targeting Addiction, Rehabilitation, and Treatment (RESTART) programs should not be expanded absent recidivism data and better completion rates. Further provided that the department may only expend funds allocated for RESTART programming at the Maryland Correctional Training Center and the Maryland Correctional Institution for Women and for inmates in the pre-release system that have previously participated in RESTART programs for at least one year at the two pilot sites.

**Explanation:** The General Assembly has expressed concern about the RESTART program expanding to more sites before the General Assembly has had time to evaluate its success. This language allows RESTART to expand to pre-release facilities but only to offer services to those inmates that have already participated in the RESTART program at the two pilot sites.

2. Adopt the following narrative:

**Impact of Correctional Officers Enhancement Program:** The committees direct the Department of Public Safety and Correctional Services (DPSCS) to analyze and report on the impact the salary increase and bonus programs have had on recruitment and retention of correctional officers. The report should specifically address the effects on the number of applicants and new hires, and reductions in turnover, overtime, and sick leave. The report shall be submitted to the committees no later than September 15, 2007.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on the Impact of Correctional Officer Recruitment and Retention Enhancements	DPSCS	September 15, 2007

	<b><u>Amount Reduction</u></b>	
3. Reduce appropriation for replacement vehicles. The fiscal 2007 deficiency appropriation will provide 79 additional vehicles for the department. This reduction will still allow the department to replace those vehicles that are inoperable or exceed 10 years of age and 100,000 miles.	\$ 276,581	GF
<b>Total General Fund Reductions</b>	<b>\$ 276,581</b>	

## ***Updates***

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### **1. Prescription Drug Purchasing Options**

During the 2006 session, the committees requested DPSCS and the Department of Health and Mental Hygiene (DHMH) to submit a report on whether the State could purchase prescription drugs for inmates through the federal 340B pricing program. The 340B program requires drug manufacturers to provide outpatient drugs to certain covered entities at a reduced price. 340B prices are generally 50% of the average wholesale price.

The report concluded that correctional institutions do not meet the criteria of a “covered entity” in order to participate in the 340B program. The only way correctional institutions may qualify for prescription drug discounts is if physicians employed by disproportionate care hospitals provided care to the entire inmate population within the correctional institutions. Although inmates are often sent to disproportionate care hospitals when care cannot be provided by the DPSCS infirmary, any medications necessary upon release from the hospital are provided through the department’s pharmacy contractor, not the hospital, and are, therefore, ineligible to receive a discount.

### **2. Medicaid Reimbursements**

The 2006 *Joint Chairmen’s Report* requested that DPSCS and DHMH submit a report on the State’s eligibility to get a federal fund Medicaid reimbursement for inmates that are admitted to a hospital. The conclusion of the report was that according to the Code of Federal Regulations, since inmates are considered wards of the State, the State is the third party coverage provider and inmates are, therefore, insured. As such, inmates are not eligible to receive Medicaid reimbursement payments.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Division of Correction (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$549,362	\$55,815	\$9,050	\$5,843	\$620,070
Deficiency Appropriation	31,745	3,500	0	0	35,245
Budget Amendments	6,992	49	0	361	7,402
Reversions and Cancellations	-272	-908	-1,195	-501	-2,876
<b>Actual Expenditures</b>	<b>\$587,827</b>	<b>\$58,456</b>	<b>\$7,855</b>	<b>\$5,703</b>	<b>\$659,841</b>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$617,414	\$63,025	\$8,748	\$4,911	\$694,098
Budget Amendments	23,934	548	1,165	0	25,647
<b>Working Appropriation</b>	<b>\$641,348</b>	<b>\$63,573</b>	<b>\$9,913</b>	<b>\$4,911</b>	<b>\$719,745</b>

Note; Numbers may not sum to total due to rounding.

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## **Fiscal 2006**

General fund expenditures for fiscal 2006 totaled approximately \$587.8 million, which was an increase of \$38.5 million over the legislative appropriation.

- The division received an increase of \$31.7 million from six deficiency appropriations in fiscal 2006. The majority of this increase was due to increased spending for the inmate medical contract, which required two deficiency appropriations totaling approximately \$24.1 million. Additional deficiency appropriations included \$5.0 million for fuel and utilities, \$2.1 million for payments to a former food service contractor based on a contract settlement, \$250,000 for the installation of a sprinkler fire system, and \$272,000 for substance abuse and psychotherapy services for incarcerated mothers.
- Budget amendments account for a net increase of nearly \$7.0 million. The cost-of-living adjustment (COLA) added approximately \$4.3 million to the appropriation. A \$4.7 million increase was for the transfer of funds from DBM to the division for correctional officer pay incentives but was reduced by \$1.6 million as these funds were realigned throughout the rest of the department. The realignment of general funds throughout the department to meet actual expenditures increased the appropriation by \$515,000. Two amendments transferring funds to MSDE for the correctional education program decreased the appropriation by approximately \$879,000, and the realignment of funds to meet actual employee and retiree healthcare benefit expenditures further decreased the appropriation by \$661,000.
- The division reverted approximately \$272,000 to the general fund as a result of budget bill language attached to the deficiency appropriation for the Tamar Program, which had restricted funds to that purpose but those funds were not spent.

Special fund spending for fiscal 2006 in DOC was approximately \$58.5 million.

- A deficiency appropriation of \$3.5 million was used to purchase supplies and materials to support Maryland Correctional Enterprises.
- Budget amendments increased the appropriation by a net \$49,000. An increase from Inmate Welfare Funds for the provision of commissary and inmate medical and legal services, totaling \$1.1 million was offset by the transfer of \$908,000 from the division to MSDE for RESTART correctional education services.
- The division cancelled approximately \$908,000, of which \$713,000 were Inmate Welfare Funds. The remaining cancellations were due to \$157,000 in unused appropriations for MCE since expenditures were lower than estimated when the deficiency request was prepared, and \$20,000 in unused appropriations from the Martin Healy Trust Fund.

Federal fund spending for fiscal 2006 was approximately \$7.9 million.

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- The division cancelled approximately \$1.2 million in federal funds, with the majority, approximately \$1.1 million, due to under-attainment of revenue from the Federal Marshal for housing federal prisoners at the Maryland Correctional Adjustment Center. The additional \$100,000 cancellation was related to unused appropriations in the Serious and Violent Offender Reentry Program.

Reimbursable fund expenditures for fiscal 2006 totaled approximately \$5.7 million.

- Budget amendments increased the appropriation by approximately \$361,000, with a large portion, approximately \$306,000, attributable to grants for fire safety improvements and for HIV counseling, testing and partner notification. The remaining \$55,000 is for an agreement between the Metropolitan Transition Center and the Baltimore City Detention Center to provide inmate work crews to perform labor for Baltimore City Parks and Recreation.
- The division cancelled approximately \$501,000 of reimbursable funds, largely due to unexpended grant funds and the under-attainment of revenue by inmate work crews at the Central Laundry Facility and from the Maryland State Highway Administration.

**Fiscal 2007**

The general fund working appropriation in the Division of Correction for fiscal 2007 is approximately \$641.3 million. This includes \$23.9 million in budget amendments for COLA and funding for correctional officer reclassifications and related salary adjustments as a result of the annual salary review.

The federal fund working appropriation is \$9.9 million which includes a budget amendment for nearly \$1.2 million to support prisoner reentry services programs.

## ***Audit Findings***

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Audit Period for Last Audit:	February 28, 2002 – September 30, 2005
Issue Date:	February 2006
Number of Findings:	4
Number of Repeat Findings:	0
% of Repeat Findings:	%
Rating: (if applicable)	n/a

### **Eastern Shore Region**

- Finding 1:** Adequate controls were not established to ensure that all inmate fund collections were subsequently deposited.
- Finding 2:** Inmate account balances were not periodically reconciled with the State Comptroller's records.
- Finding 3:** Internal control and record keeping deficiencies were noted.
- Finding 4:** The region did not complete physical inventories and maintain related supporting records as required.

**Object/Fund Difference Report  
DPSCS – Division of Correction**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	7309.50	7432.50	7609.50	177.00	2.4%
02 Contractual	40.20	85.98	79.08	-6.90	-8.0%
<b>Total Positions</b>	<b>7349.70</b>	<b>7518.48</b>	<b>7688.58</b>	<b>170.10</b>	<b>2.3%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 405,750,957	\$ 457,471,462	\$ 467,635,642	\$ 10,164,180	2.2%
02 Technical and Spec. Fees	1,140,877	1,468,331	1,470,772	2,441	0.2%
03 Communication	2,104,090	2,022,632	2,060,607	37,975	1.9%
04 Travel	321,479	309,607	285,756	-23,851	-7.7%
06 Fuel and Utilities	36,555,249	34,500,926	44,293,041	9,792,115	28.4%
07 Motor Vehicles	3,504,190	2,937,742	3,664,239	726,497	24.7%
08 Contractual Services	108,906,278	116,578,867	134,537,619	17,958,752	15.4%
09 Supplies and Materials	57,371,556	57,542,273	58,232,267	689,994	1.2%
10 Equipment – Replacement	273,946	568,294	1,242,284	673,990	118.6%
11 Equipment – Additional	1,616,011	830,155	285,982	-544,173	-65.6%
12 Grants, Subsidies, and Contributions	40,023,053	43,119,129	44,187,920	1,068,791	2.5%
13 Fixed Charges	2,272,754	2,396,746	2,406,533	9,787	0.4%
<b>Total Objects</b>	<b>\$ 659,840,440</b>	<b>\$ 719,746,164</b>	<b>\$ 760,302,662</b>	<b>\$ 40,556,498</b>	<b>5.6%</b>
<b>Funds</b>					
01 General Fund	\$ 587,826,692	\$ 641,348,221	\$ 680,746,735	\$ 39,398,514	6.1%
03 Special Fund	58,456,327	63,573,320	67,239,798	3,666,478	5.8%
05 Federal Fund	7,855,086	9,913,376	7,587,500	-2,325,876	-23.5%
09 Reimbursable Fund	5,702,335	4,911,247	4,728,629	-182,618	-3.7%
<b>Total Funds</b>	<b>\$ 659,840,440</b>	<b>\$ 719,746,164</b>	<b>\$ 760,302,662</b>	<b>\$ 40,556,498</b>	<b>5.6%</b>

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary  
DPSCS – Division of Correction**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
01 General Administration	\$ 11,243,880	\$ 10,580,993	\$ 9,347,145	-\$ 1,233,848	-11.7%
02 Classification, Education and Religious Services	26,900,716	29,434,828	30,222,160	787,332	2.7%
03 Canine Operations	1,507,590	1,705,714	1,542,319	-163,395	-9.6%
01 Maryland House of Correction	39,148,663	41,082,480	41,295,543	213,063	0.5%
02 Maryland House of Correction Annex	38,319,213	42,032,840	41,852,954	-179,886	-0.4%
03 Maryland Correctional Institution – Jessup	29,393,919	30,711,987	32,410,758	1,698,771	5.5%
01 Metropolitan Transition Center	40,056,332	40,674,593	42,996,099	2,321,506	5.7%
03 Maryland Correctional Adjustment Center	17,530,864	19,136,923	20,202,099	1,065,176	5.6%
04 Maryland Reception, Diagnostic, and Classification	32,957,201	34,636,002	36,305,779	1,669,777	4.8%
05 Baltimore Pre-release Unit	4,125,608	4,339,690	4,670,484	330,794	7.6%
06 Home Detention Unit	5,745,883	6,131,226	6,405,706	274,480	4.5%
07 Baltimore City Correctional Center	10,090,349	10,775,600	11,568,232	792,632	7.4%
01 Maryland Correctional Institution – Hagerstown	50,580,020	53,044,737	57,356,504	4,311,767	8.1%
02 Maryland Correctional Training Center	54,622,155	60,887,664	64,273,368	3,385,704	5.6%
03 Roxbury Correctional Institution	38,368,707	40,926,558	43,415,240	2,488,682	6.1%
01 Maryland Correctional Institution for Women	23,832,891	26,632,777	27,828,223	1,195,446	4.5%
02 Pre-release Unit for Women	5,068,828	5,289,789	5,503,876	214,087	4.0%
01 General Administration	6,942,635	7,559,804	8,101,542	541,738	7.2%
02 Brockbridge Correctional Facility	13,967,658	15,520,841	16,557,377	1,036,536	6.7%
03 Jessup Pre-release Unit	12,729,164	13,987,927	14,949,703	961,776	6.9%
05 Southern Maryland Pre-release Unit	3,663,012	4,110,252	4,320,905	210,653	5.1%
06 Eastern Pre-release Unit	3,965,595	4,063,198	4,404,840	341,642	8.4%
11 Central Laundry Facility	11,196,525	12,069,691	12,518,260	448,569	3.7%
12 Toulson Boot Camp	8,561,152	9,965,191	10,241,038	275,847	2.8%
01 Eastern Correctional Institution	73,368,876	80,506,442	88,176,137	7,669,695	9.5%
02 Poplar Hill Pre-release Unit	3,650,603	4,011,207	4,304,685	293,478	7.3%
01 Western Correctional Institution	42,391,679	44,085,992	47,294,942	3,208,950	7.3%
02 North Branch Correctional Institution	8,618,854	20,608,226	25,093,831	4,485,605	21.8%
01 Maryland Correctional Enterprises	41,291,868	45,232,992	47,142,913	1,909,921	4.2%
<b>Total Expenditures</b>	<b>\$ 659,840,440</b>	<b>\$ 719,746,164</b>	<b>\$ 760,302,662</b>	<b>\$ 40,556,498</b>	<b>5.6%</b>

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Appendix 4

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
General Fund	\$ 587,826,692	\$ 641,348,221	\$ 680,746,735	\$ 39,398,514	6.1%
Special Fund	58,456,327	63,573,320	67,239,798	3,666,478	5.8%
Federal Fund	7,855,086	9,913,376	7,587,500	-2,325,876	-23.5%
<b>Total Appropriations</b>	<b>\$ 654,138,105</b>	<b>\$ 714,834,917</b>	<b>\$ 755,574,033</b>	<b>\$ 40,739,116</b>	<b>5.7%</b>
Reimbursable Fund	\$ 5,702,335	\$ 4,911,247	\$ 4,728,629	-\$ 182,618	-3.7%
<b>Total Funds</b>	<b>\$ 659,840,440</b>	<b>\$ 719,746,164</b>	<b>\$ 760,302,662</b>	<b>\$ 40,556,498</b>	<b>5.6%</b>

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.