Q00B
Division of Correction
Department of Public Safety and Correctional Services

Operating Budget Data

($ in Thousands)

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change	% Change Prior Year
General Fund	$643,499	$660,460	$693,161	$32,701	5.0%
Deficiencies and Reductions	0	4,720	-1,786	-6,506	
Adjusted General Fund	**$643,499**	**$665,180**	**$691,375**	**$26,195**	**3.9%**
Special Fund	60,675	63,552	66,187	2,635	4.1%
Deficiencies and Reductions	0	0	-63	-63	
Adjusted Special Fund	**$60,675**	**$63,552**	**$66,124**	**$2,572**	**4.0%**
Federal Fund	1,635	1,120	1,318	198	17.7%
Deficiencies and Reductions	0	0	-17	-17	
Adjusted Federal Fund	**$1,635**	**$1,120**	**$1,301**	**$181**	**16.2%**
Reimbursable Fund	2,701	3,251	3,368	117	3.6%
Adjusted Reimbursable Fund	**$2,701**	**$3,251**	**$3,368**	**$117**	**3.6%**
Adjusted Grand Total	**$708,510**	**$733,104**	**$762,168**	**$29,064**	**4.0%**

- The fiscal 2017 allowance includes $4.7 million in general fund deficiency appropriations for fiscal 2016. Of this, $4.4 million is provided to support underfunded employee overtime expenses, $285,500 is needed for facility maintenance and upgrades, and $75,000 is provided for the replacement of a box truck.

- The Division of Correction's (DOC) fiscal 2017 budget grows by approximately $29.1 million, or 4.0%. Personnel expenses account for 77.2% of the growth, primarily due to increases for health insurance and retirement.

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

For further information contact: Hannah E. Dier Phone: (410) 946-5530

- Increases for the Maryland Correctional Enterprises (MCE) account for the majority of the special fund growth and reflect continued improvement in demand for MCE goods and services.

Personnel Data

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change
Regular Positions	5,848.50	5,816.50	5,816.50	0.00
Contractual FTEs	45.58	45.35	45.35	0.00
Total Personnel	**5,894.08**	**5,861.85**	**5,861.85**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	303.62	5.22%
Positions and Percentage Vacant as of 12/31/15	488.50	8.40%

- The allowance includes no changes in regular positions or contractual full-time equivalents.

- At the close of calendar 2015, DOC had 489 positions vacant, about 185 more than is needed on average to meet budgeted turnover. Including supervisory positions, 289 of these vacancies are for correctional officers. An additional 30 positions are for MCE. The remaining 170 vacancies are for case management, dietary, maintenance, supply, psychology, and administrative positions. **DOC should comment on the effect that the high vacancy rate has had on its ability to carry out its mission, as well as the plan to fill vacant positions.**

Analysis in Brief

Major Trends

Maryland Correctional Enterprises: Since fiscal 2006, MCE annual sales have increased by $11.3 million to an all-time high of $54.1 million. Inmate employment has grown by nearly 27% over the same time period, despite a slight decrease between fiscal 2014 and 2015. **MCE should comment on its strategy to increase inmate employment, including any expansion projects and whether increasing inmate employment will require additional regular positions.**

Population Statistics: In fiscal 2015, departmentwide intakes fell below 10,000 for the first time in over a decade. Releases have also declined, but have still exceeded intakes by about 475 offenders annually since fiscal 2012. Consistent with this trend, the DOC population has decreased by 10.3% since peaking in fiscal 2008.

Facility Security: Overall, inmate assaults in correctional facilities decreased by 10.6% in fiscal 2015. The correctional offender-on-offender assault rate of 3.29 assaults per 100 offenders reflects the seventh consecutive year of decline and a record low for this measure. The fiscal 2015 offender-on-staff assault rate, also a record low, declined for the fourth consecutive year to 1.08 per 100 offenders. The number of inmates who escape is relatively small in comparison to inmates who walk off; however, with a goal of having no inmate escape each year, DOC has failed to meet its target in all but 1 of the past 13 years. **The division should comment on the status of apprehending inmates who escaped or walked off in fiscal 2015, as well as the number and status of inmates who have escaped or walked off in the current fiscal year.**

Issues

Actions to Improve Public Safety and Security: In December 2015, the Department of Public Safety and Correctional Services (DPSCS) submitted a report outlining progress made toward implementing nonstatutory recommendations of the 2013 Special Joint Commission on Public Safety and Security in State and Local Correctional Facilities. The department now has 5 American Correctional Association (ACA) accredited facilities, and an additional 5 facilities scheduled to begin the accreditation process by October 2016. The department has also made significant progress toward increasing in-service training hours for correctional officers. **DPSCS should comment on the prioritization for scheduling the remaining 11 facilities not accredited or scheduled to be accredited by the ACA. DPSCS should also comment on the typical topic matter or type of training that has been increased for the in-service training requirement, as well as the process for evaluating the effectiveness of training.**

Inmate Phone Rates and Inmate Welfare Funds: In October 2015, the Federal Communications Commission took action to reduce rate caps for inmate calling to 11 cents per minute and adopt other rules relating to inmate calling services. The rate reductions and other rules are set to go into effect in March 2016. Under its inmate phone contract, DPSCS receives a commission from the vendor based on inmate calling revenue. The telephone commission is deposited into the Inmate Welfare Fund (IWF), which is used to purchase goods and services that benefit the general inmate population. The commission, and therefore the IWF balance, would be negatively affected by a reduction in inmate phone rates. **DPSCS should comment on the effect the new rates and associated rules will have on the IWF and whether there will be a need in the future to shift costs from the IWF to general funds.**

Recommended Actions

1. Concur with Governor's allowance.

Operating Budget Analysis

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 offenders located in places of safe, secure, and humane confinement. DOC also includes the Maryland Correctional Enterprises (MCE), which provides work and job training for incarcerated inmates through the production of goods and the provision of services used by local, State, and federal agencies, in addition to a variety of nonprofit organizations.

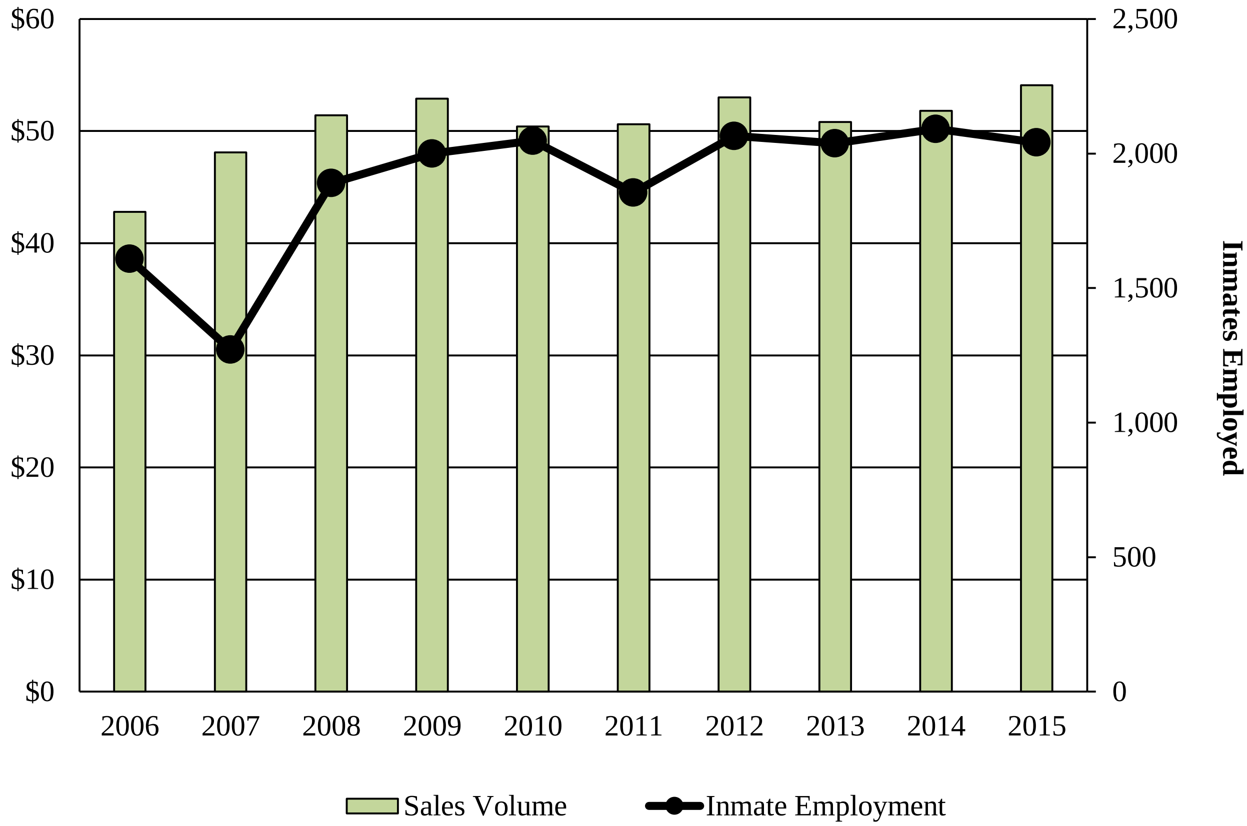
Performance Analysis: Managing for Results

1. Maryland Correctional Enterprises

MCE is the self-sustaining prison industry arm of the department. **Exhibit 1** highlights MCE sales and employment trends for the past 10 fiscal years. Since fiscal 2006, MCE annual sales have increased by $11.3 million, or 26.5%, to an all-time high of over $54.0 million. Inmate employment has grown by 26.9%, adding 433 offenders over the same 10-year period. MCE was able to employ more than 2,000 inmates for the fourth consecutive year and experienced increased sales by $2.3 million. Fiscal 2015 was the agency's eighth consecutive fiscal year with annual sales above $50.0 million. According to MCE's business plan, it has set a goal of increasing inmate employment to 2,310 by June 2017. **MCE should comment on its strategy to meet this goal, including any expansion projects and whether increasing inmate employment will require additional regular positions.**

The National Correctional Industries Association ranks Maryland ninth nationwide for fiscal 2014 revenues and fourth nationwide for offender employment. Maryland has been ranked in the top 10 for sales and employment in each of the past eight years. The MCE plant or service center that achieved the highest sales in fiscal 2015 was the Hagerstown meat plant, at $7.5 million, or almost 14.0%, of total MCE sales. The Hagerstown upholstery shop had the second largest sales in fiscal 2015, at $6.5 million. MCE's largest customer, the Department of Public Safety and Correctional Services (DPSCS), accounted for 24.3% of sales. The Maryland Department of Transportation and the University System of Maryland also accounted for large portions of fiscal 2015 MCE sales, at 19.6% and 16.2%, respectively.

Exhibit 1
Maryland Correctional Enterprises
Sales and Employment Trends
Fiscal 2006-2015
($ in Millions)

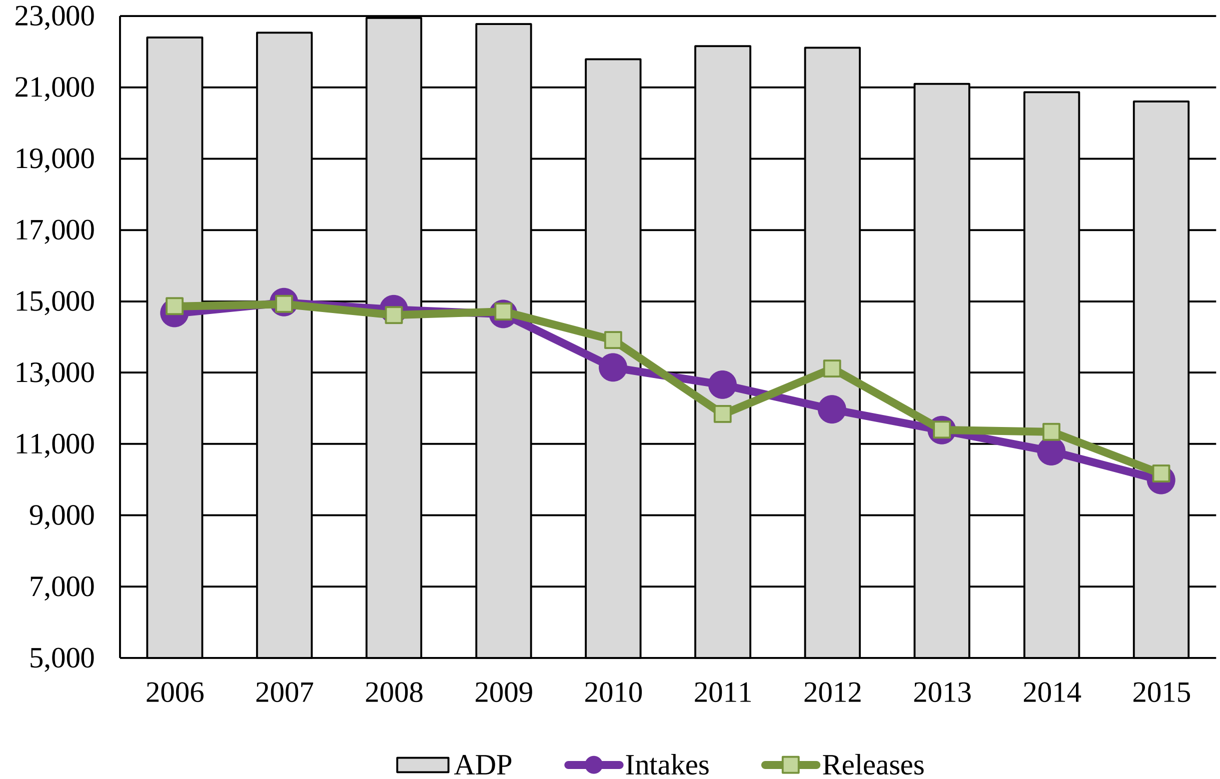


Source: Governor's Budget Books, Fiscal 2006-2015

2. Population Statistics

Exhibit 2 shows the number of offender intakes and releases from DPSCS between fiscal 2006 and 2015. Departmentwide intakes have been on a steep decline for the past eight years, falling from 15,048 offenders entering the system in fiscal 2007 to 9,981 entering in fiscal 2015. Fiscal 2015 was the first year that intakes were below 10,000 offenders. Releases initially fell at a similar pace but spiked in fiscal 2012 before resuming the downward trend. Fiscal 2015 releases totaled 10,116 offenders, a decrease of 10.3% from the prior year.

Exhibit 2
Division of Correction
Offender Population
Fiscal 2006-2015



ADP: average daily population

Note: Intakes and releases include all Department of Public Safety and Correctional Services facilities.

Source: Department of Public Safety and Correctional Services

When the number of offenders released annually exceeds the number of offenders brought into the DPSCS system, the prison population will decline or at least slow its rate of growth; when intakes exceed releases, the prison population will rise. On average, the department has released about 475 more offenders per year than it has received since 2012. Most notably, in fiscal 2012, releases exceeded intakes by 1,149 offenders. The spike in the number of releases can be attributed to the increase in State inmate parole hearings conducted: 13,929 hearings were held in fiscal 2012 compared to 11,723 in fiscal 2011. The number of parole hearings has since dropped back down to the pre-2012 level.

Exhibit 2 also reflects the continued decline for the inmate population under DOC jurisdiction. Fiscal 2008 saw the highest average daily population (ADP) numbers in the past decade, reaching just under 23,000 inmates. The ADP has since embarked on an overall decline of nearly 2,350 inmates, or 10.3%, to its most recent low of 20,602 in fiscal 2015. The declining population has allowed the department to close facilities, such as the Maryland House of Correction (closed in March 2007), the Jessup Pre-Release Unit (closed December 2013), and most recently the department was able to transfer some sentenced inmates out of Baltimore City facilities and into DOC facilities in order to close the Baltimore City Men's Detention Center (closed September 2015).

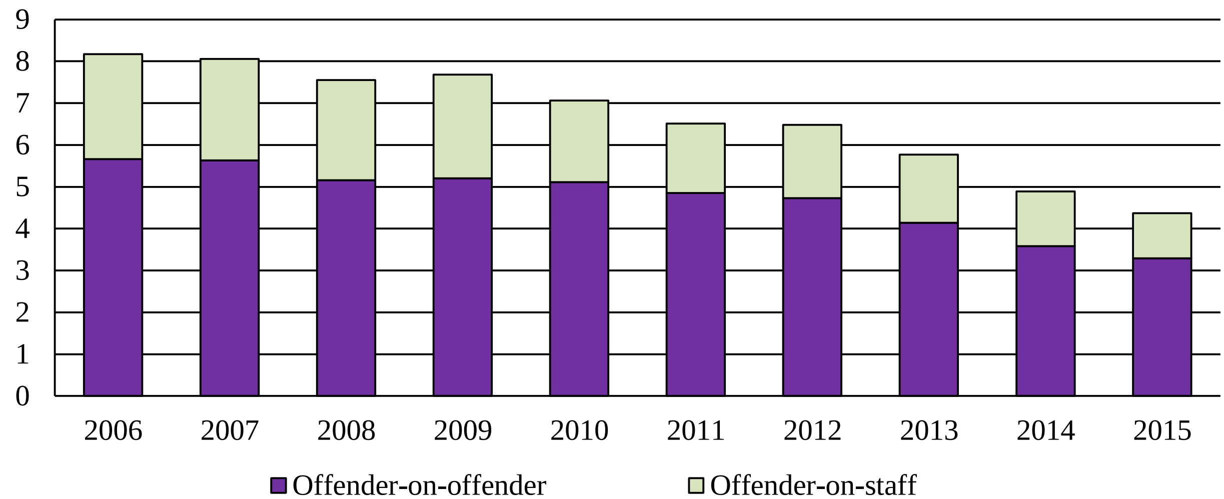
3. Facility Security

Maintaining secure facilities is of utmost importance in fulfilling the department's mission to provide public safety to the citizens of Maryland and the general public. Achievement of this goal includes limiting instances of assault on both staff and offenders, avoiding offender homicides and suicides, and prohibiting the ability for an inmate to escape or walk off from a place of confinement.

DOC reports the rate of assaults on offenders and staff per 100 ADP in order to measure the department's ability to maintain safe institutions. The goal is to have offender-on-offender and offender-on-staff assault rates at or below 4.14 and 1.63 assaults per 100 ADP, respectively. As shown in **Exhibit 3**, overall offender assaults in correctional facilities decreased by 10.6% in fiscal 2015 compared to fiscal 2014. The offender-on-offender and offender-on-staff assault rates both declined in fiscal 2015, to 3.29 and 1.08, respectively. Both fiscal 2015 assault rates are the lowest the department has reported in over a decade. DOC reported one offender homicide for fiscal 2015, which occurred at the Western Correctional Institution, and no inmate suicides.

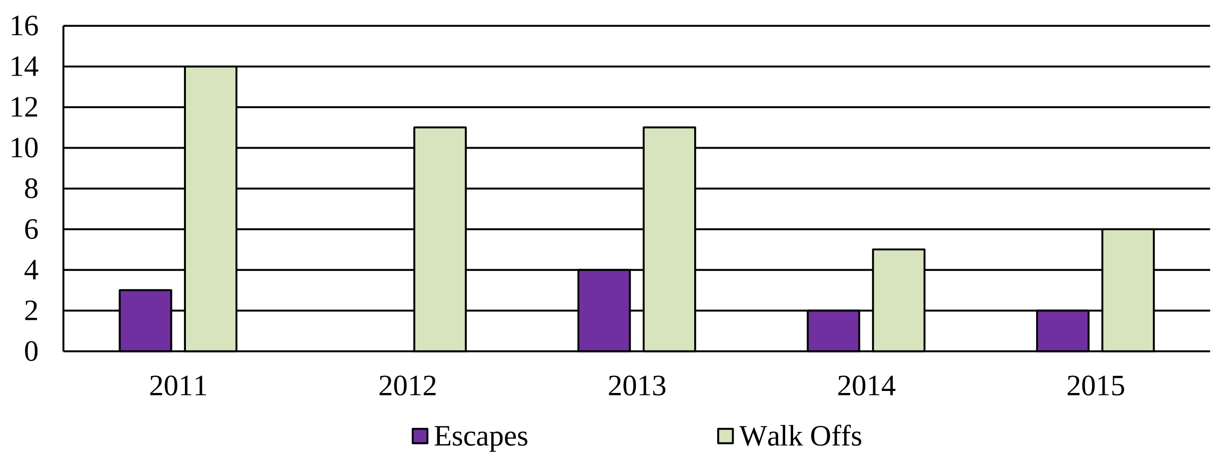
Exhibit 4 shows the number of inmates who have escaped or walked off each year since fiscal 2006. An escape is an unauthorized departure from within the secure perimeter of any correctional facility, regardless of the security level, or while being escorted or transported in restraints. A walk off is an inmate classified as pre-release or minimum security who is not in restraints with or without direct supervision, and who makes an unauthorized departure from a pre-release security facility, during an authorized activity in the community, or while on a work detail outside the secure perimeter of a correctional facility. The goal is to have no inmates escape and fewer than 11 inmates walk off each year.

Exhibit 3
Division of Correction
Offender Assaults
Rate Per 100 Average Daily Population
Fiscal 2006-2015



Source: Governor's Budget Books, Fiscal 2006-2015

Exhibit 4
Division of Correction
Escapes and Walk Offs
Fiscal 2011-2015



Source: Governor's Budget Books, Fiscal 2011-2015

The number of inmates who escape is relatively small in comparison to inmates who walk off; however, with a goal of having no inmates escape each year, DPSCS has failed to meet its target in all but 1 of the past 10 years. In fiscal 2015, 2 inmates escaped from DPSCS facilities. In the same year, 6 inmates walked off while in DPSCS custody. This is a relatively small number in comparison to inmate walk offs prior to fiscal 2006, when more than 100 inmates would walk off from DPSCS facilities annually. Fiscal 2015 reflects a slight increase in walk offs compared to fiscal 2014. **The department should comment on the status of apprehending inmates who escaped or walked off in fiscal 2015, as well as the number and status of inmates who have escaped or walked off in the current fiscal year.**

Fiscal 2016 Actions

Proposed Deficiency

There are five deficiency appropriations that add $4.7 million in general funds to the division's fiscal 2016 working appropriation. The deficiencies provide funding as follows:

- $4.4 million in general funds for DOC employee overtime expenses. The fiscal 2016 working appropriation for DOC employee overtime is approximately $2.8 million below the legislative appropriation and $7.5 million below fiscal 2015 actual expenditures. The fiscal 2016 deficiency appropriation increases overtime funding to $26.0 million, which is still more than $3.0 million below fiscal 2015 actual expenditures;

- $210,000 in general funds to support a power plant upgrade at the Maryland Correctional Institute – Hagerstown (MCIH);

- $75,500 in general funds for an emergency gas line repair at the Jessup Correctional Institute; and

- $75,000 in general funds to replace a box truck for food operations at MCIH.

Cost Containment

Departmentwide, the fiscal 2016 legislative appropriation for DPSCS included a 2% across-the-board general fund reduction totaling $24.4 million. The following reductions allocated on a departmentwide basis in part affected the fiscal 2016 appropriation for DOC:

- $6.0 million for increased vacancies;

- $5.6 million for reduced inmate medical and food costs associated with a decreasing inmate population;

- $4.5 million for elimination of roll call and implementation of a 10-hour correctional officer shift;
- $2.4 million for salary savings associated with a 50-position reduction; and
- $358,244 for reclassification of one vacant position and elimination of contractual full-time equivalents (FTE) associated with the consolidation of financial operations across the department.

The department was unable to meet the January 2016 schedule set by the Department of Budget and Management (DBM) for negotiating the elimination of roll call and the implementation of a 10-hour correctional officer shift. The implementation of a 10-hour shift would also require legislation which, to date, has not been introduced. All $4.5 million in anticipated overtime savings is returned to the department as part of the fiscal 2016 overtime deficiency appropriation of $13.2 million. The department has indicated that it still plans to pursue negotiations related to eliminating roll call and implementing an extended shift in facilities.

Proposed Budget

As seen in **Exhibit 5**, the Governor's fiscal 2017 allowance for the division reflects an increase of $29.1 million, or 4.0%, over the fiscal 2016 working appropriation, when adjusted for the fiscal 2017 across-the-board reduction for health insurance.

Exhibit 5
Proposed Budget
DPSCS – Division of Correction
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2015 Actual	$643,499	$60,675	$1,635	$2,701	$708,510
Fiscal 2016 Working Appropriation	665,180	63,552	1,120	3,251	733,104
Fiscal 2017 Allowance	691,375	66,124	1,301	3,368	762,168
Fiscal 2016-2017 Amount Change	$26,195	$2,572	$181	$117	$29,064
Fiscal 2016-2017 Percent Change	3.9%	4.0%	16.2%	3.6%	4.0%

Where It Goes:	
Personnel Expenses	
Employee and retiree health insurance	$9,565
Employee retirement system	7,902
Turnover adjustments	5,513
Overtime	1,417
Reclassification	-280
Workers’ compensation premium assessment	-1,787
Other fringe benefit adjustments	97
Maryland Correctional Enterprise	
Supply and material purchases	2,172
Inmate wages	243
Freight and delivery	150
Building construction and additions	45
Inmate Variable Costs and Programming	
Inmate medical care	3,919
Expansion of segregated addictions program	138
Food purchases	-370
Facility Security and Maintenance	
Drone detection systems at ECI and WCI	1,000
Equipment repairs and maintenance	848
Fuel and utilities	520
Building repairs and maintenance	-286
Vehicle charges	-818
Other	
Contractual full-time equivalents	221
Employee and inmate uniforms	-184
Vehicle replacement and purchase	-743
Other	-218
Total	**$29,064**

DPSCS: Department of Public Safety and Correctional Services
ECI: Eastern Correctional Institution
WCI: Western Correctional Institution

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

Personnel Expenses

Personnel expenses increase by a net $22.4 million. DOC receives an additional $9.6 million for employee and retiree health insurance and $7.9 million for the employee retirement system. The turnover adjustment increases by $5.5 million in the allowance. The turnover reduction was increased between the fiscal 2016 legislative and working appropriation to account for a large amount of vacancies, and to apply the savings to the department's fiscal 2016 2% general fund reduction. However, the turnover rate is reduced closer to historical levels in the allowance, translating to a smaller negative adjustment. These increases are partially offset by a reduction of $1.8 million for the division's workers' compensation premium assessment.

The allowance includes an increase of $1.4 million for employee overtime, when accounting for the $4.4 million fiscal 2016 deficiency appropriation. This brings the DOC allowance for overtime to $27.4 million, about $1.8 million below fiscal 2015 actual overtime spending. Given the large number of correctional officer vacancies and the increased annual in-service training requirement, overtime is likely underfunded in both the fiscal 2016 working appropriation and the fiscal 2017 allowance. This issue is discussed in more detail on a departmentwide basis in the DPSCS Overview analysis.

The allowance for DBM also includes funding for employee increments. A General Fund amount of $5,999,529 and a special fund amount of $290,343 will be transferred by budget amendment to DOC to allocate funding for increments.

Maryland Correctional Enterprises

The division's special fund allowance increases by $2.6 million over the working appropriation. This is largely attributable to increases for MCE, which a self-sustaining agency funded entirely with special fund sales revenue. The total fiscal 2017 allowance for MCE increases by $3.0 million prior to adjusting for the across-the-board health insurance reduction. The largest spending increase occurs for supply and material purchases, consistent with prior year actual spending. MCE receives a small increase of about $45,000 associated with a renovation project for a vacant warehouse acquired from the Department of General Services in September 2013. MCE plans to use the space as a warehouse, showroom, office space, and conference center.

Inmate Variable Costs

The fiscal 2017 DOC allowance for inmate medical care is $137.5 million, an increase of about $3.9 million from the working appropriation. This represents more than three-quarters of the departmentwide allowance for inmate medical care. The growth is in part due to the August 2015 closure of the Baltimore City Men's Detention Center and associated transfer of sentenced inmates from Baltimore City facilities operated by the Division of Pretrial Detention (DPD) to DOC facilities. This is also reflected in the fiscal 2017 decrease of $1.1 million for DPD inmate medical care.

The largest portion of inmate medical care spending is for the medical services contract, which accounted for more than 60% of fiscal 2015 actual inmate medical care spending. The second largest area of medical spending is for the inmate pharmacy contract, which made up more than 20% of fiscal 2015 medical spending. The department pays smaller amounts for mental health and dental contracts. DPSCS has been engaged in an extraordinarily lengthy procurement for a new inmate pharmacy contract. The initial term of the existing contract with Correct Rx, a Maryland-based institutional pharmaceutical provider, was June 2005 through June 2007, with three one-year renewal options. In December 2011, DPSCS recommended award of the contract to an out-of-state vendor in the face of a protest from the current vendor. The recommendation was denied by the Board of Public Works (BPW), and in January 2013, the Board of Contract Appeals denied the department's motion for reconsideration. The contract has been extended nine times since expiration of the third renewal option at the end of June 2010. The contract has been modified seven times to increase the not-to-exceed amount in order to continue services. The most recent contract extension, approved by BPW in April 2015, expires at the end of June 2016. **DPSCS should comment on the timeline for completing the new request for proposals and awarding a contract.**

Inmate food purchases decrease by about $370,000 from the working appropriation. Although the cost of food goes up slightly, the average daily population is expected to continue decreasing. This more than offsets the increased cost.

New Initiatives

The department's allowance includes two notable areas of new funding: $1 million in general funds to install drone detection software at two correctional facilities – the Western Correctional Institution (WCI) and the Eastern Correctional Institution (ECI) – and $138,000 for expansion of the Segregation Addictions Program (SAP) at the Maryland Correctional Training Center (MCTC), as recommended by the Heroin and Opioid Emergency Task Force.

Concerns about drones illegally transporting contraband into correctional facilities were punctuated by the August 2015 interdiction of a drone intended to transport contraband at WCI, and the associated arrest of two individuals. The DPSCS Information Technology and Communications Division has researched drone detection software and witnessed demonstrations of the identified solution, which has not yet been implemented by other states but is being used by certain countries in Europe. The software is estimated to cost $500,000 for the initial install at each facility, and annual support costs are estimated at this time to be $100,000 to $125,000 each year.

While technology such as drone detection software certainly has the potential to increase the safety of correctional facilities for offenders and staff, it should be noted that it does not function as a stand in for correctional officers, but rather as a tool to aid correctional officers and staff in their duties. As with implementation of cell phone managed access systems at DPD facilities, implementation of drone detection software will not reduce the number of vacancies the department needs to fill in order to safely staff correctional facilities.

The $138,000 included in the allowance to expand SAP at MCTC is part of a total of $4.5 million statewide to implement recommendations of the Heroin and Opioid Emergency Task

Force. SAP is an outpatient abstinence-based substance use treatment program based on education, motivational enhancement therapy, and cognitive behavioral therapy. Participants engage in seminars, individual and group therapy sessions, and role-play, among other assignments and activities. The 90-day program currently has 22 slots for male inmates. Eligibility is based on substance use related infractions, such as a positive urinalysis result, and participation is voluntary. The increased funding for SAP in the allowance is anticipated to add 3 additional substance use counselors and expand the program capacity to 88 total slots in order to meet demand. In June 2015, there were 85 SAP-eligible candidates at MCTC but only 11 available slots.

Across-the-board reduction

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency's share of these reductions is $1,786,304 in general funds, $63,313 in special funds, and $17,199 in federal funds. There is an additional across-the-board reduction to abolish 657 positions statewide, but the amounts have not been allocated by agency.

Issues

1. Actions to Improve Public Safety and Security

On April 23, 2013, a federal grand jury returned an indictment charging 25 individuals including inmates and 13 correctional officers employed by DPSCS, with conspiring to run operations of the Black Guerilla Family (BGF) gang inside the Baltimore City Detention Center and related facilities. Charges included racketeering, drug distribution, money laundering, victim and witness retaliation, bribery, and extortion. According to the indictment, correctional officers helped leaders of BGF smuggle cell phones, drugs, and other contraband into State correctional facilities.

In response, the presiding officers created the Special Joint Commission on Public Safety and Security in State and Local Correctional Facilities, which made several nonstatutory recommendations intended to address concerns with staffing, security evaluations, and how best to control the entrance of contraband into correctional facilities. The budget committees have since been staying abreast of departmental progress toward implementing the recommendations. In December 2015, DPSCS submitted a *Joint Chairmen's Report* response indicating progress made toward achieving American Correctional Association (ACA) accreditation at all State facilities, increased in-service training for correctional officers at all State facilities, fully staffing and operating the new Polygraph Unit, and adopting standards modifications for the Maryland Commission on Correctional Standards (MCCS) audits. Responses regarding the Polygraph Unit and MCCS standards are discussed in the DPSCS Administration and MCCS budget analyses, respectively.

Facility Accreditation Schedule

Following the accreditation of the Baltimore Central Booking and Intake Center (BCBIC) by ACA in November 2015, the department now has 5 accredited facilities: ECI, WCI, the Chesapeake Detention Facility, the Roxbury Correctional Institution, and BCBIC. The department has indicated that the following facilities will begin the accreditation process within the next year:

- North Branch Correctional Institution – accepted for accreditation and scheduled for audit in fall 2016;
- MCTC – accepted for accreditation and scheduled for audit in fall 2016;
- Maryland Correctional Institution – Hagerstown – scheduled to apply for accreditation in June 2016;
- Maryland Correctional Institution – Jessup – scheduled to apply for accreditation in August 2016; and
- Maryland Correctional Institution for Women – scheduled to apply for accreditation in October 2016.

Three of the currently accredited facilities, and all 5 of the facilities scheduled for accreditation are within DOC. All 5 DOC facilities in the West region are either accredited or scheduled to be accredited by the end of calendar 2016. Six out of the 10 facilities in the DOC East region are neither accredited nor scheduled to be accredited. Also not accredited are the Patuxent Institution and half of the 8 Baltimore City facilities in the Division of Pretrial Detention. Should the department be successful in achieving accreditation for the scheduled facilities, it will bring both the accredited and non-accredited totals to 11 facilities each. **DPSCS should comment on the prioritization for scheduling the remaining 11 facilities.**

In-service Training

In its review of DPSCS training requirements, a common concern brought to the attention of the Special Joint Commission on Public Safety and Security is the lack of ongoing training provided to correctional staff. The department required 18 hours of in-service training annually, although the nationally recognized standard from ACA requires 40 hours annually.

After abandoning a plan to gradually increase in-service training for all certified staff over five years, the department now reports that as of December 2015, all but about 300 non-supervisory correctional officers had completed 40 hours of in-service training during calendar 2015. The remaining correctional officers were expected to complete 40 hours by the end of December 2015. As anticipated, the increased in-service training requirement has had a fiscal impact. However, due to the high number of vacancies resulting in increased reliance on overtime, it is difficult to accurately identify the impact of the increased in-service training on overtime. Between fiscal 2014 and 2015 the department noted a 5,570 staff day increase in in-service training.

DPSCS should comment on the typical topic matter or type of training that has been increased for the in-service training requirement, as well as the process for evaluating the effectiveness of training.

2. Inmate Phone Rates and Inmate Welfare Funds

Federal Communications Commission Inmate Phone Rates and Commissions

In October 2015, the Federal Communications Commission (FCC) took action to reduce rate caps for local and in-state long-distance inmate calling and limit add-on fees imposed by inmate calling service providers. FCC began inmate calling rate reforms in 2013 in response to a petition. The 2013 reforms set an interim cap of 21 cents per minute on interstate debit and prepaid calls and required inmate calling service providers to file cost data. The 2015 order adopted by FCC further decreases the debit and prepaid call rate to 11 cents per minute for all local and long distance calls from State and federal prisons. Rates for collect calls, currently capped at 25 cents per minute, will be phased down to the 11 cents per minute cap over a two-year transition period. The order adopted by FCC additionally discourages site commissions paid by inmate calling service providers to institutions. The order does not prohibit site commissions but urges states to move away from them.

The DPSCS inmate phone service contract includes a commission paid to DPSCS. The commission is deposited into the Inmate Welfare Fund (IWF) and would be negatively affected by the FCC rate reduction order. Global Tel*Link, the current DPSCS vendor, is one of several phone service providers that have filed petitions with the District of Columbia Circuit to review the FCC rate caps and other inmate calling service changes. FCC has indicated that despite the pending cases it will not voluntarily pause its order, which is slated to go into effect in March of this year.

DPSCS Inmate Welfare Funds

The *Maryland Annotated Code* establishes a special continuing nonlapsing IWF within each State correctional facility. The statute prohibits general funds from being transferred to the IWF and specifies that each fund must receive revenue from specified sources:

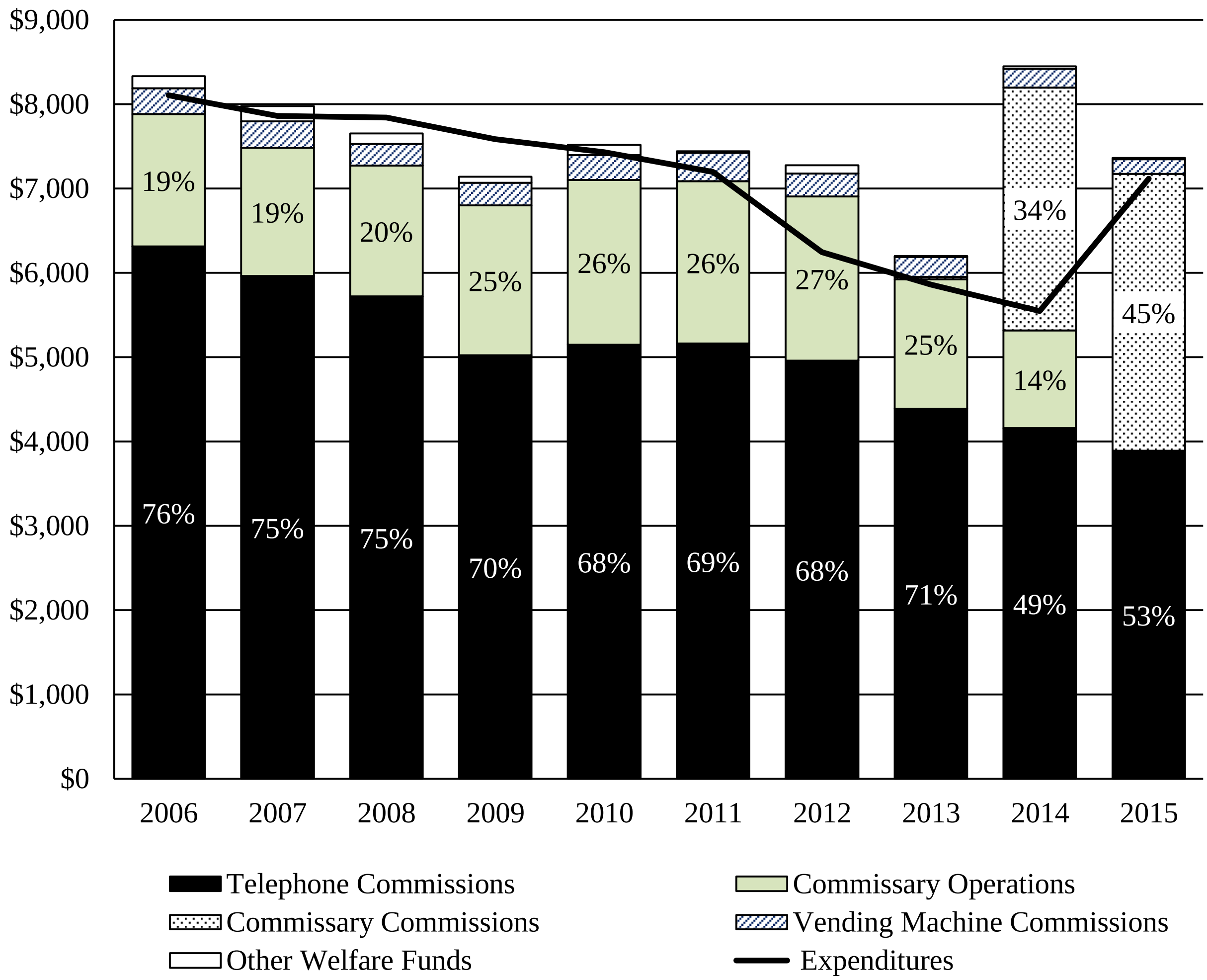
- commissary sales;
- telephone commissions;
- vending machine commissions; and
- money received from other sources.

IWF revenues may be used only for goods and services that benefit the general inmate population, which includes the following:

- medical supplies and services as authorized by the Commissioner of Correction or director of the facility;
- commissary goods for resale;
- athletic and recreational services, supplies, and equipment;
- entertainment expenditures, including movie rentals, newspapers, and books;
- repair and replacement of property;
- indigent inmate welfare packages; and
- other goods and services as approved by the commissioner or facility director.

Exhibit 6 shows IWF revenues and expenditures from fiscal 2006 through 2015. Between fiscal 2006 and 2013, IWF revenues declined by a cumulative $2.1 million, or 26%. Expenditures were reduced accordingly, but exceeded revenues in fiscal 2008 and 2009, requiring the department to draw down the IWF fund balance. The fund balance has since been returned to a level equivalent to one month's worth of IWF expenditures, consistent with departmental policy.

Exhibit 6
Inmate Welfare Fund
Revenue and Expenditures
Fiscal 2006-2015



Source: Department of Public Safety and Correctional Services

IWF revenues increased significantly between fiscal 2013 and 2014, from $6.2 million to just under $8.5 million. As illustrated in Exhibit 6, this is attributable to a large increase in commissary commissions, following the department's transition from a departmentally to a contractually operated commissary service. IWF revenue derived from commissary-related activities accounted for between 19.0% and 27.0% of total revenue from fiscal 2006 to 2013, but nearly doubled in fiscal 2014 and 2015. Removing IWF revenue associated with the commissary shows that all other revenue declined steadily over the past decade, by a cumulative $2.7 million, or 40.0%. This is partially attributable to the declining inmate and detainee populations, although the overall population incarcerated by DPSCS has only declined by 10.4% over the same period of time. Telephone commissions, which are the largest IWF revenue source, make up $2.4 million, or 90.0%, of the overall reduction.

Reduction of the inmate calling rate would result in a corresponding reduction in the telephone commission DPSCS receives from Global Tel*Link. When the 2013 FCC rate reduction was implemented, the contract between DPSCS and Global Tel*Link was modified to reduce the estimated commission by about $812,000 for the remaining contract period (under two years) and two year-long renewal options. However, the rate reduction from the 2015 FCC order is much larger than the 2013 reduction and would have a more significant impact on the amount of the commission. Removal of the commission entirely, as encouraged by the FCC order, would approximately halve IWF revenue.

In the past, when IWF revenue has been insufficient to support ongoing costs or necessary purchases that typically would have been charged to the account, the department has converted those costs to general funds. For example, in fiscal 2010 the department converted to the General Fund $1.1 million in costs for personnel to monitor inmate medical contracts, chaplains, reimbursement for educational services, and other institutional operations. Similar amounts were converted in fiscal 2011 and 2012.

In light of the already declining telephone commission revenues, DPSCS should comment on the effect the new rates and associated rules will have on the IWF, and whether there will be a need in the future to shift costs from the IWF to general funds.

Recommended Actions

1. Concur with Governor's allowance.

Appendix 1

Audit Findings

South Region

Audit Period for Last Audit:	July 1, 2012 – June 30, 2014
Issue Date:	October 2015
Number of Findings:	5
Number of Repeat Findings:	1
% of Repeat Findings:	20%
Rating: (if applicable)	n/a

Finding 1: **The region had not fully reconciled its inmate fund records with corresponding comptroller records.**

Finding 2: Controls were lacking over certain inmate fund transactions and records.

Finding 3: The region made repeated purchases from two vendors without competitive bids and written contracts.

Finding 4: A management employee was in a position to influence the region's decision to hire an immediate family member.

Finding 5: Procedures and controls over overtime payments and leave recordkeeping need improvement.

*Bold denotes item repeated in full or part from preceding audit report.

Maryland Correctional Enterprises
Enterprise Resource Program

Project Status	Implementation.	**New/Ongoing Project:**	Ongoing.
Project Description:	This initiative will provide the ability for Maryland Correctional Enterprises (MCE) to revise and update its backend processes and aging financial and manufacturing information technology infrastructure to better meet the needs of Maryland's correctional industries program. The project will allow more efficient management of the agency's program, which currently generates over $50 million per year in sales and services and employs over 2,000 inmates in Maryland's correctional facilities. The current paper-driven process and computing platform is not efficient and has become less effective as MCE grows its business.		
Project Business Goals:	This initiative supports the following MCE goals: a solution whose basic core capabilities address, at a minimum, the needs for all the following functions: (a) enterprise resource planning; (b) customer relationship management; and (c) integrating with other Maryland systems, primarily the Financial Management Information System.		
Estimated Total Project Cost:	$4,065,384	**Estimated Planning Project Cost:**	
Project Start Date:	April 2016	**Projected Completion Date:**	April 2017
Schedule Status:	The initial Request for Proposals (RFP) was not awarded because there were no bid responses. This has delayed the project by just over a year. The new RFP is in draft and expected to be awarded by the end of the current fiscal year.		
Cost Status:	There are no reported changes to the project cost; however, the project costs may increase a small amount because of the schedule delay.		
Scope Status:	No reported changes in the project scope.		
Identifiable Risks:	The project's biggest current risk is that bids could exceed the project budget. However, the project team is confident systems are available in the range of its budget.		

Fiscal Year Funding ($ in Thousands)	**Prior Years**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**Balance to Complete**	**Total**
Personnel Services	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Professional and Outside Services	1,740.4	1,500.0	550.0	275.0	0.0	0.0	2,325.0	4,065.4
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	**$1,740.4**	**$1,500.0**	**$550.0**	**$275.0**	**$0.0**	**$0.0**	**$2,325.0**	**$4,065.4**

Object/Fund Difference Report
DPSCS – Division of Correction

Object/Fund	FY 15 Actual	FY 16 Working Appropriation	FY 17 Allowance	FY 16 - FY 17 Amount Change	Percent Change
Positions					
01 Regular	5,848.50	5,816.50	5,816.50	0.00	0%
02 Contractual	45.58	45.35	45.35	0.00	0%
Total Positions	**5,894.08**	**5,861.85**	**5,861.85**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 449,181,263	$ 453,951,719	$ 482,605,299	$ 28,653,580	6.3%
02 Technical and Spec. Fees	1,694,800	1,363,885	1,723,155	359,270	26.3%
03 Communication	1,494,647	1,373,885	1,372,890	-995	-0.1%
04 Travel	104,811	105,030	111,050	6,020	5.7%
06 Fuel and Utilities	39,237,908	39,986,838	40,716,385	729,547	1.8%
07 Motor Vehicles	2,446,376	3,438,385	2,695,430	-742,955	-21.6%
08 Contractual Services	134,555,614	143,773,527	148,505,663	4,732,136	3.3%
09 Supplies and Materials	69,640,717	71,748,376	72,974,552	1,226,176	1.7%
10 Equipment – Replacement	1,289,228	1,223,978	1,080,700	-143,278	-11.7%
11 Equipment – Additional	452,117	593,877	1,264,697	670,820	113.0%
12 Grants, Subsidies, and Contributions	6,204,303	8,045,695	8,341,577	295,882	3.7%
13 Fixed Charges	1,501,022	1,225,567	1,364,384	138,817	11.3%
14 Land and Structures	707,384	1,553,000	1,279,000	-274,000	-17.6%
Total Objects	**$ 708,510,190**	**$ 728,383,762**	**$ 764,034,782**	**$ 35,651,020**	**4.9%**
Funds					
01 General Fund	$ 643,499,420	$ 660,459,974	$ 693,161,088	$ 32,701,114	5.0%
03 Special Fund	60,674,929	63,552,440	66,187,274	2,634,834	4.1%
05 Federal Fund	1,635,000	1,120,000	1,318,186	198,186	17.7%
09 Reimbursable Fund	2,700,841	3,251,348	3,368,234	116,886	3.6%
Total Funds	**$ 708,510,190**	**$ 728,383,762**	**$ 764,034,782**	**$ 35,651,020**	**4.9%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
DPSCS – Division of Correction

Unit/Program	FY 15 Actual	FY 16 Working Appropriation	FY 17 Allowance	Change	FY 16-17 % Change
01 Maryland Correctional Enterprises	$ 55,586,023	$ 57,534,112	$	$ 3,037,038	5.3%
01 General Administration	15,654,594	16,015,194	16,191,462	176,268	1.1%
01 Maryland Correctional Institution Hagerstown	67,714,644	72,090,278	75,966,808	3,876,530	5.4%
02 Maryland Correctional Training Center	72,545,904	73,682,634	76,479,304	2,796,670	3.8%
03 Roxbury Correctional Institution	52,266,762	52,439,722	54,615,778	2,176,056	4.1%
04 Western Correctional Institution	57,490,505	56,973,612	59,574,570	2,600,958	4.6%
05 North Branch Correctional Institution	58,669,717	60,058,098	62,404,180	2,346,082	3.9%
01 Jessup Correctional Institution	70,663,884	71,786,131	74,410,904	2,624,773	3.7%
02 Maryland Correctional Institution Jessup	41,269,583	41,085,867	41,808,000	722,133	1.8%
03 Maryland Correctional Institution for Women	37,003,857	38,745,938	40,064,108	1,318,170	3.4%
04 Brockbridge Correctional Institution	21,544,003	24,143,526	24,993,196	849,670	3.5%
06 Southern Prerelease Unit	5,158,276	5,647,842	5,810,538	162,696	2.9%
07 Eastern Prerelease Unit	5,679,566	5,797,472	5,992,745	195,273	3.4%
08 Eastern Correctional Institution	110,720,197	111,623,417	115,306,954	3,683,537	3.3%
09 Dorsey Run Correctional Facility	19,114,358	24,964,499	32,899,076	7,934,577	31.8%
10 Central Maryland Correctional Facility	14,584,644	15,795,420	16,946,009	1,150,589	7.3%
03 Baltimore Prerelease Unit	2,843,673	0	0	0	0%
Total Expenditures	**$ 708,510,190**	**$ 728,383,762**	**$**	**$ 35,651,020**	**4.9%**
General Fund	$ 643,499,420	$ 660,459,974	$	$ 32,701,114	5.0%
Special Fund	60,674,929	63,552,440	66,187,274	2,634,834	4.1%
Federal Fund	1,635,000	1,120,000	1,318,186	198,186	17.7%
Total Appropriations	**$ 705,809,349**	**$ 725,132,414**	**$**	**$ 35,534,134**	**4.9%**
Reimbursable Fund	$ 2,700,841	$ 3,251,348	$ 3,368,234	$ 116,886	3.6%
Total Funds	**$ 708,510,190**	**$ 728,383,762**	**$**	**$ 35,651,020**	**4.9%**

The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.