Q00B
Division of Correction
Department of Public Safety and Correctional Services

Operating Budget Data

($ in Thousands)

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change	% Change Prior Year
General Fund	$662,213	$695,844	$705,843	$9,999	1.4%
Adjustments	0	-4,082	-18,363	-14,282	
Adjusted General Fund	**$662,213**	**$691,762**	**$687,480**	**-$4,283**	**-0.6%**
Special Fund	62,645	63,592	61,564	-2,028	-3.2%
Adjustments	0	0	-50	-50	
Adjusted Special Fund	**$62,645**	**$63,592**	**$61,514**	**-$2,078**	**-3.3%**
Federal Fund	1,240	1,318	1,240	-78	-5.9%
Adjusted Federal Fund	**$1,240**	**$1,318**	**$1,240**	**-$78**	**-5.9%**
Reimbursable Fund	2,796	3,498	2,496	-1,002	-28.6%
Adjusted Reimbursable Fund	**$2,796**	**$3,498**	**$2,496**	**-$1,002**	**-28.6%**
Adjusted Grand Total	**$728,894**	**$760,170**	**$752,730**	**-$7,441**	**-1.0%**

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- There is one general fund deficiency appropriation for fiscal 2017, providing $918,464 for contractual timekeepers to assist with increased data entry resulting from the transition to a new payroll system. The funds do not carry forward into fiscal 2018, as the department anticipates deploying new timeclocks in the correctional facilities to resolve the issue without the need for additional staff.

- The Governor's fiscal 2018 budget plan includes a targeted reversion for the Department of Public Safety and Correctional Services (DPSCS) totaling $5.0 million in general funds at the close of fiscal 2017. It is anticipated by the Administration that excess salary savings will be

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

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available for reversion due to the department's high vacancy rate. Division of Correction (DOC) positions represent more than half of the department's entire workforce and more than half of current vacancies. As such, the entirety of the reversion is reflected in the DOC budget analysis; however, the actual reverted savings may come from any DPSCS agency.

- The fiscal 2018 allowance includes language in the budget bill to abolish 400 vacant positions throughout the department and to reduce the general fund appropriation by $16.9 million to account for the estimated salary savings from the abolished positions. The reduction is associated with the partial downsizing of the Maryland Correctional Institution – Hagerstown (MCI-H); therefore, the entirety of the reduction is reflected for analysis purposes within DOC.

- The fiscal 2018 budget bill includes a $54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment in fiscal 2018, of which the DOC portion is approximately $1.5 million.

- Accounting for these adjustments, the DOC fiscal 2018 allowance reflects a decrease of approximately $7.4 million, or 1.0%, when compared to the adjusted fiscal 2017 working appropriation. General funds account for 91.3% of the division's total allowance and 57.6% of the net reduction. Personnel expenses decrease by a net $10.0 million, as the general fund savings from the 400 abolished positions is partially offset by a $6.8 million increase in funding for employee overtime. Additional funding is provided for inmate medical costs ($7.1 million), food purchases ($874,000), and building supplies and maintenance ($1.3 million). This is offset by reductions for fuel and utility costs ($3.4 million) and contractual employment ($1.1 million).

Personnel Data

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change
Regular Positions	5,816.50	5,750.00	5,750.00	0.00
Contractual FTEs	21.79	72.33	81.11	8.78
Total Personnel	**5,838.29**	**5,822.33**	**5,831.11**	**8.78**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		360.53	6.27%	
Positions and Percentage Vacant as of 12/31/16		846.50	14.72%	

- The allowance reflects no change in regular positions for fiscal 2018. An increase of 8.8 contractual full-time equivalents (FTE) is reflected in the budget for timekeeping and data entry assistance; however, this is a budgeting error and the FTEs are not funded in the fiscal 2018 allowance.

- At the close of calendar 2016, DPSCS had 846.5 positions vacant, equating to a vacancy rate of 14.7%. This is approximately 486.0 positions above what is needed to meet the fiscal 2018 budgeted turnover rate of 6.3%. Of the nearly 847.0 current vacancies, 576.0 positions (68.0%) are correctional officers. Approximately 41.3% of the vacancies have existed for more than 12 months.

- Language included in the fiscal 2018 budget bill abolishes 400.0 of the department's vacant positions, in association with the planned downsizing of MCI-H. If all of the abolished positions were to be eliminated in DOC, it would reduce the agency's vacancy rate to 8.3%.

Analysis in Brief

Major Trends

Population Statistics: Intakes into the State's correctional system continued to decline in fiscal 2016, falling by 4.2% when compared to the prior year. For the first time since fiscal 2012, releases from the department increased, reflecting growth of 4.7% over fiscal 2015. In total, DPSCS released 1,079 more offenders in fiscal 2016 than offenders entering the correctional system. As a result, the fiscal 2016 average daily population declined by 328 inmates. **DPSCS should comment on whether the degree to which releases exceeded intakes in fiscal 2016 is sustainable and whether this is built into its population projections.**

Maryland Correctional Enterprises: Total sales for the Maryland Correctional Enterprises (MCE) soared in fiscal 2016, to more than $61 million, despite the second year of decline in the number of inmates employed. A total of 2,035 inmates were employed by MCE in fiscal 2016. MCE has indicated that the ability to maintain this level of revenue is not likely due to continued decreases in the inmate population. **MCE should discuss how its inmate employee population and subsequent delivery of goods and services will be impacted by the projected population declines and whether any changes to its business plan are necessary.**

Facility Security: Overall, inmate assaults in correctional facilities increased by 55% in fiscal 2016, reversing a multi-year trend of declining assaults on both offenders and staff. The correctional offender-on-offender assault rate of 4.84 assaults per 100 offenders reflects an increase of nearly 1.4 assaults compared to the previous year. The fiscal 2016 offender-on-staff assault rate also increased to 2.07 assaults per 100 offenders. Both of these measures exceeded the department's Managing for Results goal to maintain assault rates below the fiscal 2013 levels. **DOC should comment on what caused the dramatic increase in both assault rates in fiscal 2016, and what actions have been taken to mitigate the violence in its facilities.**

Issues

Correctional Officer Recruitment and Retention: Issues with correctional officer recruitment and retention have plagued the department for a number of years and have resulted in significantly increased overtime expenditures and correctional officer resignations. Budgetary enhancements implemented in fiscal 2006, combined with additional efforts by DPSCS, helped to improve staffing. However, since fiscal 2013, DPSCS has experienced a dramatic increase in the correctional officer vacancy rate, resulting in record high levels of overtime spending and increasing safety concerns. A review of available personnel data indicates that both recruitment and retention issues are contributing to the high number of correctional officer vacancies. **The Department of Legislative Services recommends the addition of budget language restricting funds pending the receipt of a report from DPSCS, in consultation with the Department of Budget and Management, providing data pertaining to overtime use and attrition rates, as well as an evaluation of the suggested solutions to the department's staffing crisis.**

Inmate Banking Accounts: The department has had a history of audit findings related to unreconciled inmate banking accounts. Fiscal 2017 budget bill language restricted $125,000 in general funds within the division's administrative budget until monthly inmate account reconciliation reports were provided for July 2016 through May 2017. Consideration for release of funds is not anticipated until the end of fiscal 2017; however, a review of the submitted reports, to date, shows that inmate accounts for the Division of Pretrial Detention and Services have not been reconciled since July 2016. DPSCS indicates that this is due to severe staffing shortages in the Baltimore region and other areas of the finance unit. **DPSCS should provide an update on the status of the monthly reconciliations and any plans for filling administrative vacancies or conducting necessary training to ensure that regular reconciliations occur in all regions.**

Recommended Actions

1. Add language restricting funds pending receipt of a report providing correctional officer staffing data and an evaluation of solutions to reduce vacancies.

2. Adopt narrative requesting a report on the planned downsizing of the Maryland Correctional Institution – Hagerstown.

Division of Correction

Department of Public Safety and Correctional Services

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.

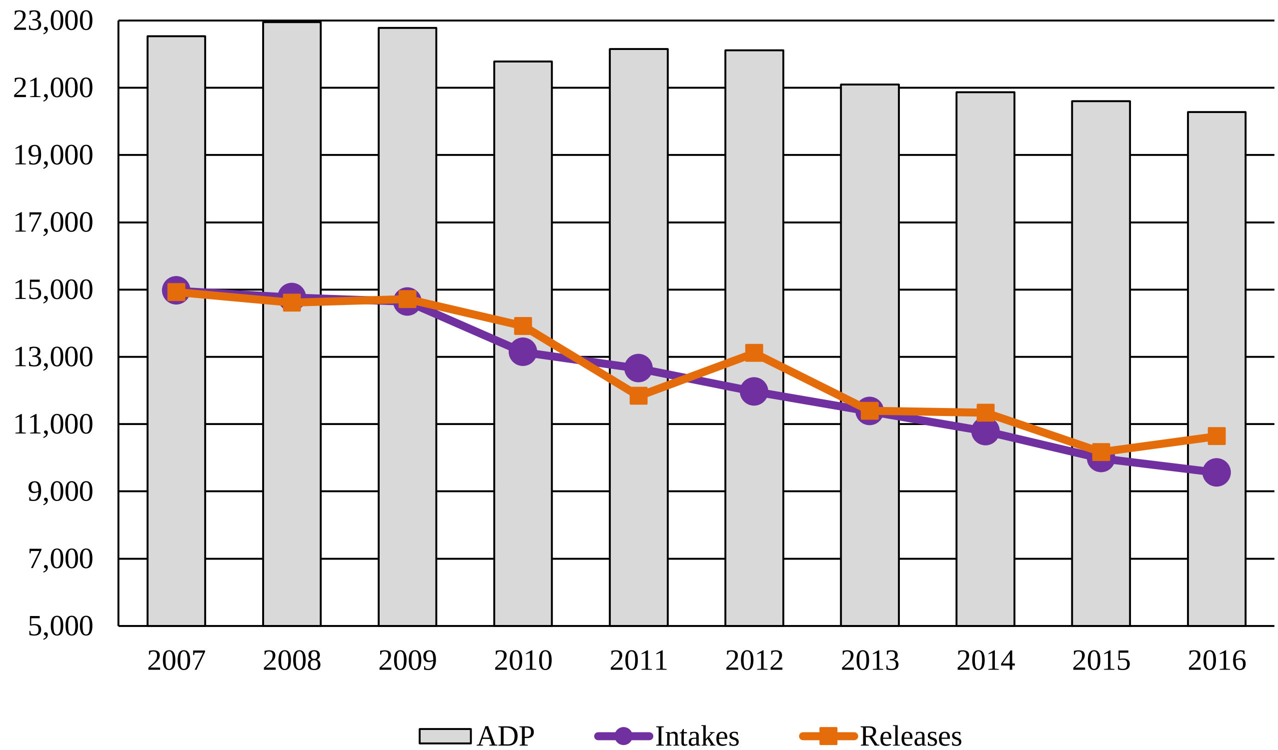
Performance Analysis: Managing for Results

1. Population Statistics

Exhibit 1 shows the number of offender intakes and releases from the Department of Public Safety and Correctional Services (DPSCS) between fiscal 2007 and 2016, and the resulting impact on the incarcerated population. Intakes across the department have been on a steep decline for the past several years, falling from 15,048 offenders entering the system in fiscal 2007 to 9,561 offenders entering in fiscal 2016. Intakes remained below 10,000 offenders for a second consecutive fiscal year. Releases have generally followed a similar downward trend, with the exception of a spike in fiscal 2012. For the first time in four years, releases from the department increased in fiscal 2016, reflecting growth of 4.7% over fiscal 2015. A total of 10,640 offenders were released by the department in fiscal 2016.

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 595 more offenders per year than it has received since fiscal 2012. Most notably, in fiscal 2012, releases exceeded intakes by 1,149 offenders, primarily due to an increase in the number of State inmate parole hearings conducted by the Maryland Parole Commission. In fiscal 2016, releases exceeded intakes by 1,079 offenders, reflecting a similar spike to fiscal 2012, although this increase does not appear attributable to an increase in the number of parole hearings conducted. **DPSCS should comment on whether the degree to which releases exceeded intakes in fiscal 2016 is sustainable and whether this is built into its population projections.**

Exhibit 1
Division of Correction
Offender Population
Fiscal 2007-2016



ADP: average daily population

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

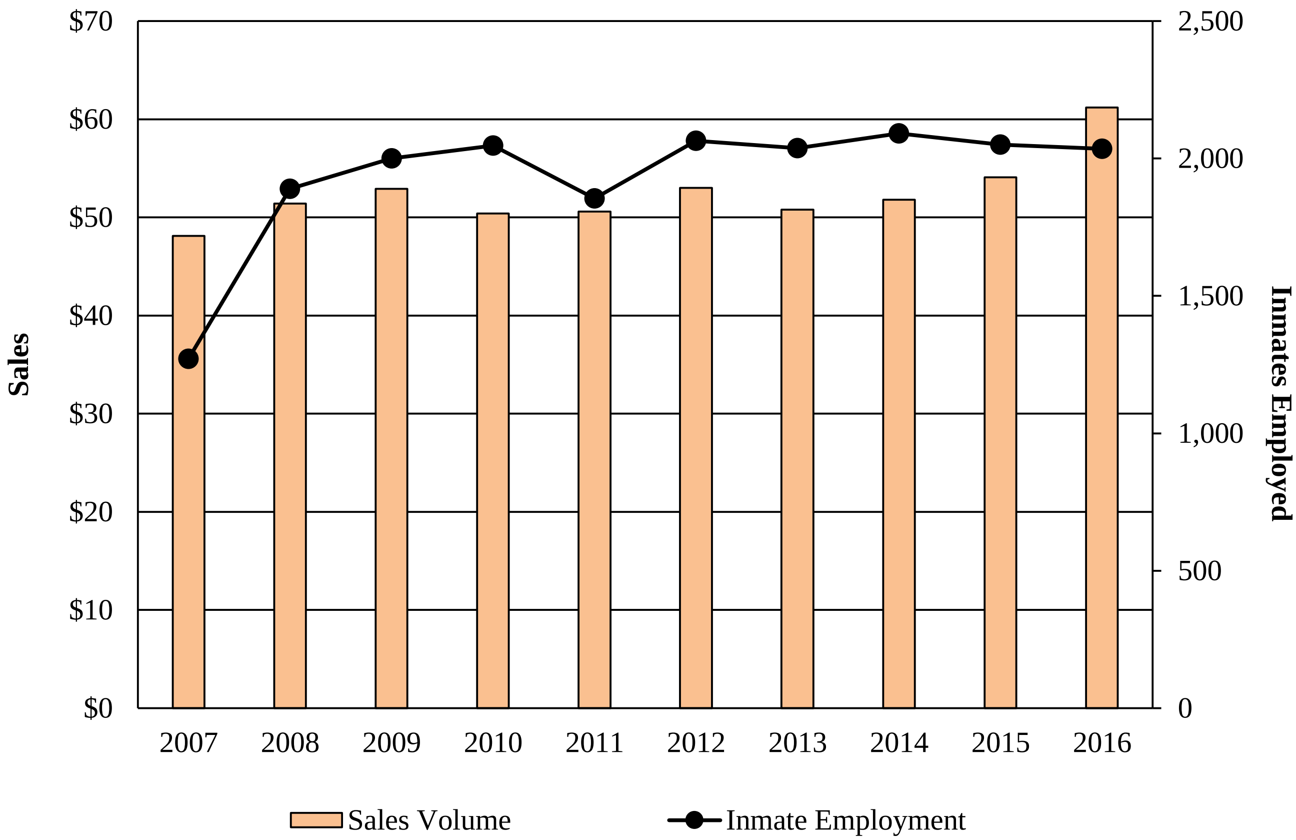
Source: Department of Public Safety and Correctional Services

Exhibit 1 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 11.7%, to its most recent low of 20,274 in fiscal 2016. 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 and Women's Detention Centers (closed September 2015 and October 2016, respectively).

2. Maryland Correctional Enterprises

MCE is the self-sustaining prison industry arm of the department. **Exhibit 2** highlights MCE sales and employment trends for the past 10 fiscal years. Inmate employment has remained relatively steady, at slightly more than 2,000 inmates, since fiscal 2009. A total of 2,035 offenders were employed by MCE in fiscal 2016, reflecting a less than 2.7% decrease from fiscal 2014, when MCE had to close the Reupholstery Shop at the North Branch Correctional Institution due to the facility being in a continued state of lockdown. MCE's inmate employment goal, as stated in its *MCE Business Plan, Fiscal 2017-2019,* is to maintain at least 2,000 employed offenders.

Exhibit 2
Maryland Correctional Enterprises
Sales and Employment Trends
Fiscal 2007-2016
($ in Millions)



Source: Managing for Results, Fiscal 2018 Submission

Total MCE sales soared in fiscal 2016, to more than $61.0 million, which is nearly $10.0 million more than the average annual sales for the past decade. Between fiscal 2007 and 2016, MCE annual sales increased $13.1 million, or 27.2%; however, the $7.3 million in additional revenue generated in fiscal 2016 may not be sustainable. Ninety percent of the additional sales can be accounted for by the increase in meat sales due to DPSCS assuming food service responsibilities in the Baltimore region; a one-time contract for election carts received from the Board of Elections; and a larger amount of completed capital projects and furniture deliveries for fiscal 2016. Only the DPSCS meat sales reflect an ongoing source of revenue, as MCE has indicated that it does not anticipate its customers requiring the amount of goods and services that have been purchased in the past.

According to its *MCE Business Plan, Fiscal 2017-2019,* MCE maintains goals of achieving a 3% net operating income level every fiscal year and generating annual sales of at least $50 million. **Exhibit 3** shows that, since fiscal 2010, MCE has been successful in meeting its annual sales goal, but only met its profit goal in two of the past seven fiscal years. With the exception of fiscal 2016, MCE has transferred a portion of its revenue to the General Fund each year since fiscal 2010.

Exhibit 3
Maryland Correctional Enterprises
Annual Sales and Net Profit
Fiscal 2010-2016
($ in Millions)

	2010	2011	2012	2013	2014	2015	2016
Annual Sales	$50.4	$50.5	$53.0	$50.8	$51.8	$54.0	$61.4
% Change from Previous Year	-4.7%	0.2%	4.9%	-4.2%	1.9%	4.3%	13.7%
Net Operating Income	0.9%	2.7%	4.2%	-1.2%	2.2%	2.3%	5.3%
Adjusted Net Operating Income (After Transfers)	-2.4%	2.0%	2.6%	-2.2%	-1.3%	0.0%	5.3%

Source: Maryland Correctional Enterprises, *Fiscal 2016 Business Plan*

MCE should discuss how its inmate employee population and subsequent delivery of goods and services will be impacted by the projected population declines and whether any changes to its business plan are necessary.

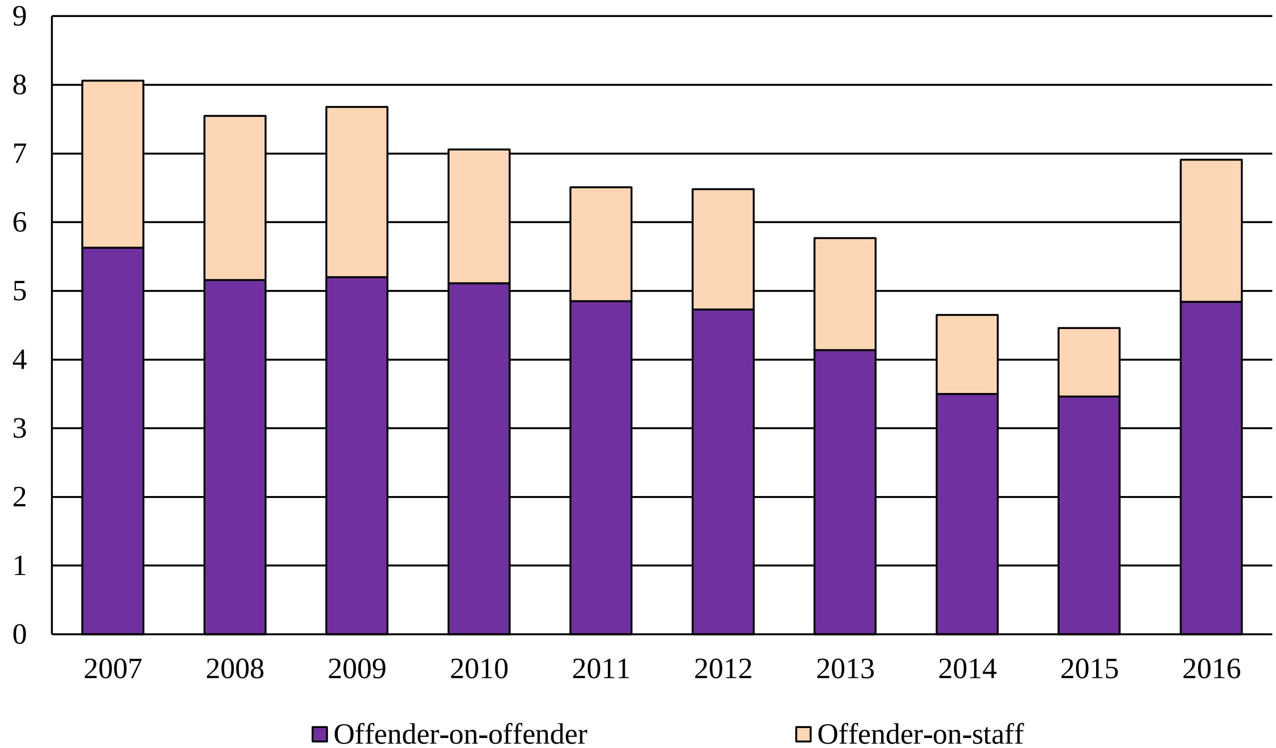
The National Correctional Industries Association ranks Maryland eighth nationwide for fiscal 2016 revenues and seventh nationwide for offender employment. Maryland has been ranked in the top 10 for sales and employment for nearly a decade. The MCE plant or service center that achieved the highest sales in fiscal 2016 was the Hagerstown meat plant, at $9.1 million, or almost 14.9%, of total MCE sales. The Hagerstown upholstery shop had the second largest sales in fiscal 2016, at $8.9 million. MCE's largest customer, DPSCS, accounted for 25.2% of sales. The Maryland Department of Transportation and the University System of Maryland also accounted for large portions of fiscal 2016 MCE sales, at 21.6% and 17.9%, respectively.

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 4**, overall offender assaults in correctional facilities increased for the first time since fiscal 2012, with both measures exceeding the targeted assault rates. The offender-on-offender and offender-on-staff assault rates increased in fiscal 2016, to 4.84 and 2.07, respectively. Compared to the previous year, the offender-on-offender assault rate reflects an increase of approximately 40.0%, while the offender-on-staff assault rate increased 107.0%. DOC also reported three offender homicides for fiscal 2016. **DOC should comment on what caused the dramatic increase in both assault rates in fiscal 2016 and what actions have been taken to mitigate the violence.**

Exhibit 4
Division of Correction
Offender Assaults
Rate Per 100 Average Daily Population
Fiscal 2007-2016



Source: Governor's Budget Books, Fiscal 2007-2018

Fiscal 2017 Actions

Proposed Deficiency

There is one fiscal 2017 general fund deficiency appropriation for DOC, providing $918,464 for short-term contractual timekeeping full-time equivalents (FTE) and associated fringes. This funding will support 36 FTE finance timekeepers, and the department will utilize vacancy savings to fund an additional 9 FTE finance timekeepers and 11 FTEs for human resources. The 45 contractual timekeepers are needed to assist existing payroll staff with additional data entry requirements resulting from the State's shift to a new payroll system, Workday.

Workday requires real-time, manual time-in, and time-out entries for every shift assigned to a position. This type of data entry has proven problematic for DPSCS, particularly for correctional officers and other facility staff, as these positions do not have regular access to a computer. Workday is a change from the prior system in that the old system was an exception-based system and payroll staff only had to adjust for leave taken, overtime, promotions, or leave without pay. The previous system was set up to account for 80-hours of pay. The new system requires, however, actual real daily time to be entered for each and every employee. Therefore, additional data entry staff are required to enter correctional officer time.

Similarly, data entry for human resources is also more labor intensive. In the old system adjustments for employees that have Family and Medical Leave Act, accident leave, total temporary disability, acting capacity pay, *etc.*, were predominately done on a retroactive basis. The new system requires information to be entered almost in real time, which has presented a significant change in workload for an already understaffed function of the department.

DPSCS is currently working with the Department of Information Technology (DoIT) and the Department of Budget and Management (DBM) on a viable long-term solution, primarily the implementation of bio-metric timeclocks that will integrate into the Workday timekeeping system and record correctional officer time-in and time-out entries. The implementation of an automated timeclock system would eliminate the need for contractual finance timekeepers, as current payroll staff would be capable of handling any necessary adjustments that equate to a workload similar to the old system. Furthermore, according to DPSCS, the timeclock system would reduce data entry errors made by staff and would allow for quick time entry loading to account for more overtime and issues that arise when the State is required to submit time early due to holidays. DPSCS is currently piloting the Cumberland timeclock system with Workday and has indicated that, based on preliminary results, a systemwide rollout by the start of fiscal 2018 is likely. As such, the fiscal 2018 allowance does not provide funding for the additional FTEs.

DPSCS should provide an update on the department's transition to Workday and the timeclock pilot in Cumberland. The department should also comment on how quickly the 45 additional FTEs will be filled and when expansion of the timeclock system is anticipated.

Section 20 Position Reduction

Section 20 of the fiscal 2017 budget bill required the Governor to abolish 657 vacant regular positions and reduce the fiscal 2017 budget by $25.0 million. The overall impact to the department was the loss of $7.8 million in general funds, $100,000 in special funds, and 58 regular positions. The DOC share of that reduction was 27 regular positions, with actual salary and fringe benefit savings of $1.5 million. This included one special fund position abolished within MCE.

Targeted General Fund Reversion

The Governor's fiscal 2018 budget plan includes a targeted reversion of $5.0 million in general funds from DPSCS at the close of fiscal 2017. It is anticipated by the Administration that excess salary savings will be available for reversion due to the department's high vacancy rate. DOC positions represent more than half of the department's entire workforce and more than half of current vacancies. As such, the entirety of the reversion is reflected in the DOC budget analysis; however, the actual reverted savings may come from any DPSCS agency.

Proposed Budget

As seen in **Exhibit 5**, the Governor's fiscal 2018 allowance for the division reflects a decrease of $7.4 million, or 1.0%, when compared to the fiscal 2017 working appropriation. This comparison includes adjustments for the general fund deficiency appropriation and targeted reversion in fiscal 2017, as well as the loss of $16.9 million from downsizing the Maryland Correctional Institution – Hagerstown (MCI-H) and a contingent reduction for supplemental pension payments in fiscal 2018.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016 Actual	$662,213	$62,645	$1,240	$2,796	$728,894
Fiscal 2017 Working Appropriation	691,762	63,592	1,318	3,498	760,170
Fiscal 2018 Allowance	687,480	61,514	1,240	2,496	752,730
Fiscal 2017-2018 Amount Change	-$4,283	-$2,078	-$78	-$1,002	-$7,441
Fiscal 2017-2018 Percent Change	-0.6%	-3.3%	-5.9%	-28.6%	-1.0%

Where It Goes:

Personnel Expenses

Overtime	$6,830
Turnover adjustments (adjusted for $5 million fiscal 2017 targeted reversion)	962
Other fringe benefit adjustments	768
Workers' compensation premium assessment	733
Employee and retiree health insurance	-689
Employee retirement (including contingent reduction to supplemental pension payment)	-1,669
400 abolished positions due to MCI-H downsizing	-16,900

Where It Goes:	
Maryland Correctional Enterprise	
Vehicle purchases	356
Inmate wages	133
Equipment purchases	-187
Building construction and additions	-350
Supply and material purchases	-740
Inmate Variable Costs and Programming	
Inmate medical care	7,146
Food purchases	874
Facility Security and Maintenance	
Building repairs and maintenance	942
Building and household supplies	322
Drone detection systems at ECI and WCI	-750
Fuel and utilities	-3,360
Other	
Other	223
Vehicle replacement and purchase	200
Various statewide administrative charges	-111
Employee and inmate uniforms	-115
Education training and contracts	-134
Inmate Welfare Funds	-377
Brockbridge Correctional Facility fencing and ventilation upgrades	-429
Contractual employment (accounting for fiscal 2017 timekeeper deficiency)	-1,119
Total	**-$7,441**

DPSCS: Department of Public Safety and Correctional Services
ECI: Eastern Correctional Institution
MCI-H: Maryland Correctional Institution – Hagerstown
WCI: Western Correctional Institution

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

Personnel

Personnel expenses decrease by a net $10.0 million. This is largely driven by salary savings generated from abolishing 400 vacant positions, as well as reductions in funding for employee health insurance and retirement. These reductions are offset by a slightly improved turnover rate in fiscal 2018, once the $5.0 million targeted general fund reversion is accounted for, and an additional $6.8 million for employee overtime.

The allowance provides a total of $34.3 million for employee overtime in fiscal 2018, an increase of 24.9% over the fiscal 2017 working appropriation. Despite this increase, however, the allowance remains approximately $4.0 million, or 10.6%, below what was actually spent on overtime in fiscal 2016. Similarly, the fiscal 2017 working appropriation is nearly $11.0 million short of fiscal 2016 actual spending. Given the large number of correctional officer vacancies and that DOC amassed over 350 additional vacancies between December 2015 and December 2016, overtime is likely underfunded in both the fiscal 2017 working appropriation and the fiscal 2018 allowance. Deficiency funding is not provided to cover the anticipated shortfall for fiscal 2017, as it is anticipated that excess salary funding from vacant positions will be available to redirect toward overtime. This method of budgeting, however, does limit the department's ability to fill its existing vacancies. This issue is discussed in more detail on a departmentwide basis in the DPSCS Overview analysis.

Downsizing the Maryland Correctional Institution – Hagerstown

MCI-H is a medium security prison located in Hagerstown that first opened in 1932. The facility's fiscal 2017 second quarter ADP was 1,795 male inmates, although the actual bed capacity exceeds 2,100 beds. In addition to inmate housing and other traditional support service spaces, MCI-H also consists of multiple MCE shops and a regional hospital.

Language is included in the fiscal 2018 allowance to reduce the department's budget by 400 vacant positions and $16.9 million in general funds due to the planned downsizing of MCI-H. According to DPSCS, the facility is being depopulated in two phases. Phase I is complete and resulted in the relocation of 163 inmates. Phase II is anticipated to be complete by the end of fiscal 2017. The entire facility will not be closed due to the continued need to operate the MCE shops and the hospital. The downsizing is possible due to the declining inmate population experienced in recent years. DPSCS population projections for fiscal 2017 and 2018 continue to show declines of 3.5% and 2.1%, respectively. These reductions would suggest that adequate bed space is available in other facilities to realign the inmate population and depopulate portions of MCI-H, except for those inmates needed to operate the MCE shops and receive services from the hospital. Currently, the MCE shops at MCI-H employ 275 to 300 offenders. DPSCS anticipates housing 750 to 800 offenders at the facility.

The language in the budget specifies that the 400 abolished positions must be vacant. DPSCS has indicated that any filled staff positions no longer needed at MCI-H will be reallocated to other facilities, primarily in the western region, to address staffing shortfalls in other areas. With the downsizing of MCI-H being the impetus for the reduction, it is likely that a portion of the abolished positions will be associated with that facility; however, with only 82 positions vacant as of January 1, 2017, DPSCS will need to identify vacant positions throughout the department in order to reach 400 abolished positions. In breaking with prior position reductions, which traditionally exempted custodial positions from being abolished, vacant front line staff positions will likely need to account for a significant portion of this position reduction, as vacancies within the correctional officer classification series account for nearly 75% of the department's current 1,694 vacancies.

The Department of Legislative Services (DLS) recommends DPSCS submit a report to the budget committees providing detail on the abolished positions and implementation of the partial facility closure.

Maryland Correctional Enterprises

Funding for MCE, the self-sustaining prison industry arm of the agency funded entirely with special fund sales revenue, decreases by approximately $1.5 million in fiscal 2018. The largest spending increase occurs for the purchase of replacement vehicles and inmate wages. This is offset by less funding for supply and material purchases, based on prior year actual spending, and for the renovation project at the former Department of General Services warehouse. Once renovated, MCE plans to use the space as a warehouse, showroom, and office space for its sales representatives.

Budget Reconciliation and Financing Act of 2017

The Budget Reconciliation and Financing Act (BRFA) of 2017 (HB 152/SB 172) includes one provision pertaining to DPSCS, a transfer of $2.5 million in fund balance from the MCE Revolving Loan Fund to the General Fund in fiscal 2018. The projected fiscal 2017 closing fund balance for MCE is $29.0 million. Following the transfer, the fund balance will be approximately $26.5 million, of which $22.0 million is restricted to account for fluctuations in accounts receivable, expansion projects, vehicle and equipment purchases, and utility reimbursements.

Inmate Variable Costs

The fiscal 2018 DOC allowance for inmate medical care is $144.6 million, an increase of about $7.1 million from the working appropriation and one of the only significant increases in the division's fiscal 2018 budget. DOC medical expenses account for more than three-quarters of the departmentwide allowance for inmate medical care. The increase in fiscal 2018 is reflective of assumed inflationary adjustments in line with established contract terms and an adjustment for ADP. DPSCS indicates that the department's declining population resulted in approximately $11.0 million in cost avoidance in fiscal 2016. Continued reductions in ADP are also anticipated for fiscal 2017 and 2018, offsetting a portion of the anticipated inflationary increase.

The largest portion of inmate medical care spending is for the medical services contract, followed by the inmate pharmacy contract. 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 10 times since expiration of the third renewal option at the end of June 2010. The contract has been modified 9 times to increase the not-to-exceed amount in order to continue services. The most recent contract extension, approved by BPW in June 2016, expires at the end of June 2017. The item brought before BPW indicated that significant changes were being made to the solicitation's scope of work.

The existing medical services contract, held by Wexford Health Sources, is also scheduled to expire at the end of fiscal 2017. A new Request for Proposals (RFP) was released on December 29, 2016, with responses anticipated by March 1, 2017. DPSCS anticipates having the new contract awarded and in place by the start of fiscal 2018. Although exact costs under the new contract cannot be known at this time, the fiscal 2018 allowance is largely based on the existing contract, as DPSCS is not anticipating any significant changes in service delivery with the new award.

Of concern is the department's ability to successfully complete the procurement and award new contracts for pharmacy and medical services by the start of fiscal 2018. Historically, DPSCS has struggled with procurements of this size. Currently, 37% of the department's procurement positions are vacant, including the director and assistant director positions.

DPSCS should provide an update on the progress made in the procurement of pharmacy and inmate medical services. In addition, the department should discuss how it intends to successfully complete the procurement processes, given the significant understaffing within the procurement function.

Inmate food purchases increase by about $874,000 from the working appropriation. An increase in the cost of food is slightly offset by the expected decline in the ADP.

Facility Security and Maintenance

The fiscal 2018 allowance provides an additional $1.3 million for one-time supply purchases and small facility maintenance projects. This is offset by a nearly $3.4 million reduction in fuel and utility costs, based on anticipated growth rates established by DBM and prior year actual expenditures.

Funding for drone detection software decreases by a net $750,000 in fiscal 2018. DOC received general funds in fiscal 2017 to purchase and install drone detection software at two correctional facilities – the Western Correctional Institution (WCI) and the Eastern Correctional Institution (ECI) – after 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. A total of $1.0 million was provided for the initial installation at each facility. The fiscal 2018 allowance includes $250,000 for the annual support of the software, although the exact cost remains unknown, as DPSCS is still working with DoIT to issue the RFP for the software.

DPSCS should provide an update on the status of procuring the new technology and its implementation at ECI and WCI. Additionally, the department should comment on the extent to which drones have posed a threat to facility security since the August 2015 incident.

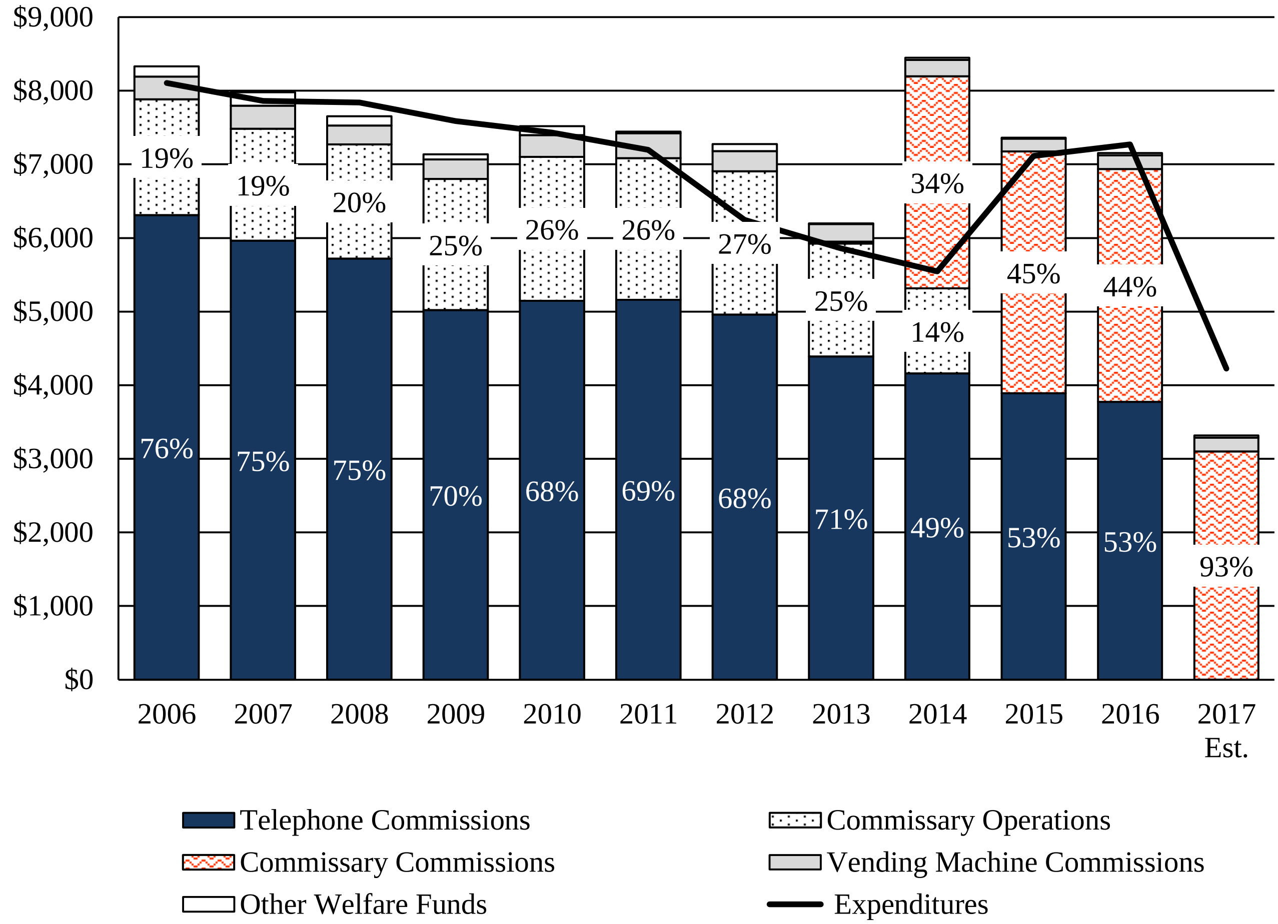
Inmate Welfare Funds

Inmate Welfare Funds (IWF) budgeted within DOC decline by approximately $377,000, or 17.7%, in fiscal 2018. The $1.8 million budgeted in the allowance reflects a 62.0% decrease from fiscal 2016 actual IWF expenditures. Departmentwide, IWF decline by $602,000 in fiscal 2018, providing approximately $3.6 million for the purchase of goods and services that benefit the general inmate population (*e.g.*, inmate welfare kits, barber shop supplies, recreational equipment, movie rental, equipment repairs, and ice for inmates). This is approximately $3.6 million below fiscal 2016. **Exhibit 6** shows IWF revenues and expenditures from fiscal 2006 through 2017, and illustrates how the recent decline in revenue is the result of the department no longer collecting telephone commissions.

In October 2015, the Federal Communications Commission (FCC) took action to reduce rate caps for inmate calling and limit add-on fees imposed by service providers. At that time, the State's inmate phone service contract provided for a commission paid to DPSCS, which would have been significantly reduced by implementation of the FCC rate reduction order. The telephone commission was deposited into the IWF. In preparation for eliminating the commission (an action many other states had already begun to take), the fiscal 2017 budget included an increase of $4.0 million in general funds and an associated reduction of $4.0 million in IWF revenue. In April 2016, BPW approved a contract modification eliminating the commission.

With the loss of phone commissions, the department realigned and consolidated the budget for inmate welfare expenditures. Inmate welfare funding no longer covers permanent and contractual costs for chaplains. These are now all general funded. Additionally, the State split the costs between general funds/special funds for inmate education and legal services for inmates. Due to the backfill of general funds provided in fiscal 2017, DPSCS has been able to continue these services/functions with no impact to operations.

Exhibit 6
Inmate Welfare Fund
Revenue and Expenditures
Fiscal 2006-2017 Est.



Source: Department of Public Safety and Correctional Services

Across-the-board Reductions

The fiscal 2018 budget bill includes a $54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is $1,463,377 in general funds and $50,143 in special funds. This action is tied to a provision in the BRFA of 2017.

Issues

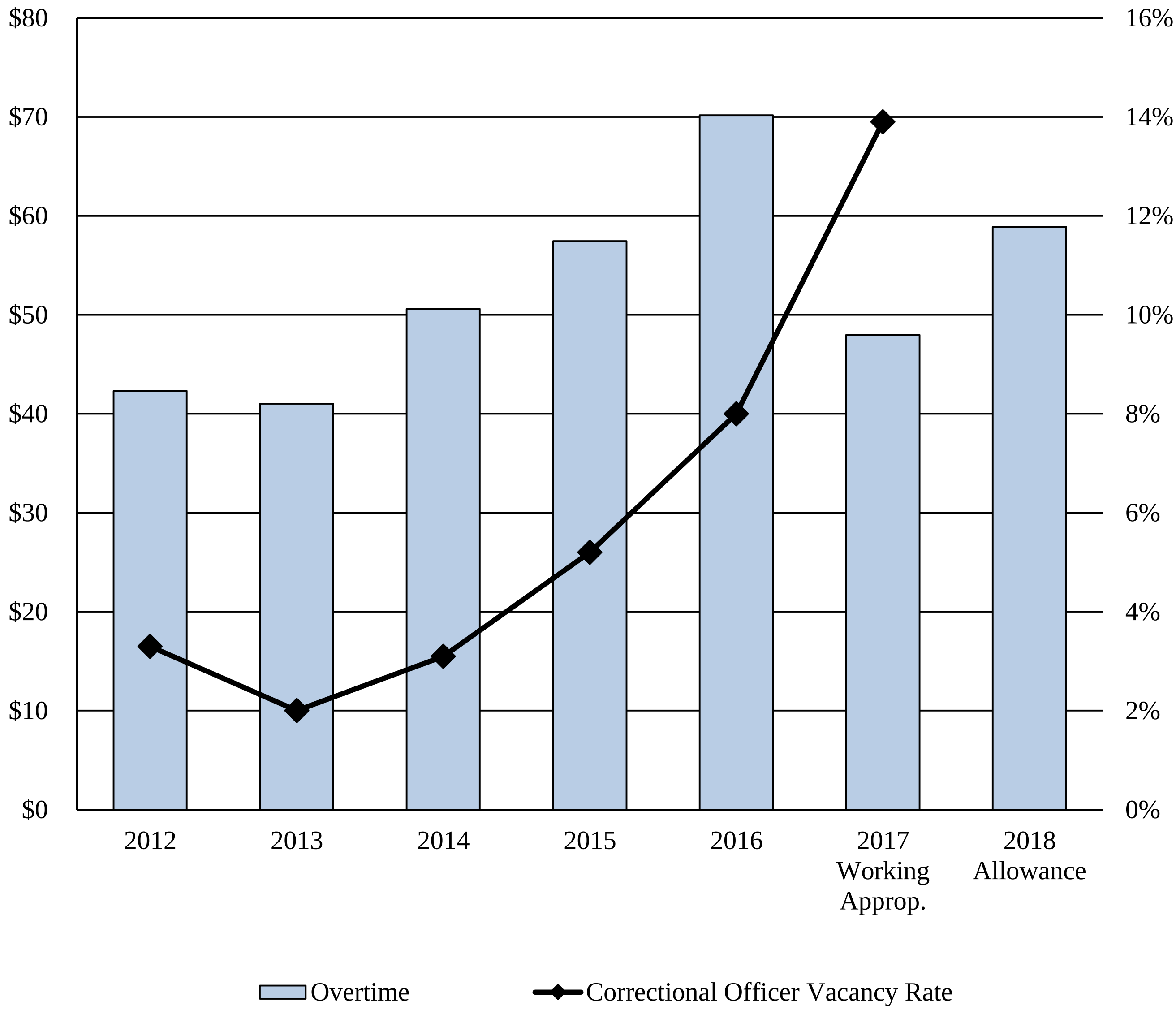
1. Correctional Officer Recruitment and Retention

Issues with correctional officer recruitment and retention have plagued the department for a number of years and have resulted in significantly increased overtime expenditures and correctional officer resignations. Budgetary enhancements implemented in fiscal 2006 combined with additional efforts by DPSCS helped to improve staffing. However, since fiscal 2013, DPSCS has experienced a dramatic increase in the correctional officer vacancy rate, resulting in record high levels of overtime spending and increasing safety concerns. A review of available personnel data indicates that both recruitment and retention issues are contributing to the high number of correctional officer vacancies.

What Is Driving the Increase in Vacancies?

Exhibit 7 overlays the correctional officer vacancy rate with the amount of overtime spending since fiscal 2012. The amount of overtime spending in fiscal 2016 ($70.2 million) and number of correctional officer vacancies as of January 1, 2017 (981 vacant positions), are at unprecedented levels. Since fiscal 2013, the correctional officer vacancy rate has increased from 2.0% to 13.9%, with overtime funding increasing by 65.8%.

Exhibit 7
Department of Public Safety and Correctional Services
Employee Overtime and Correctional Officer Vacancies
Fiscal 2012-2018
($ in Millions)

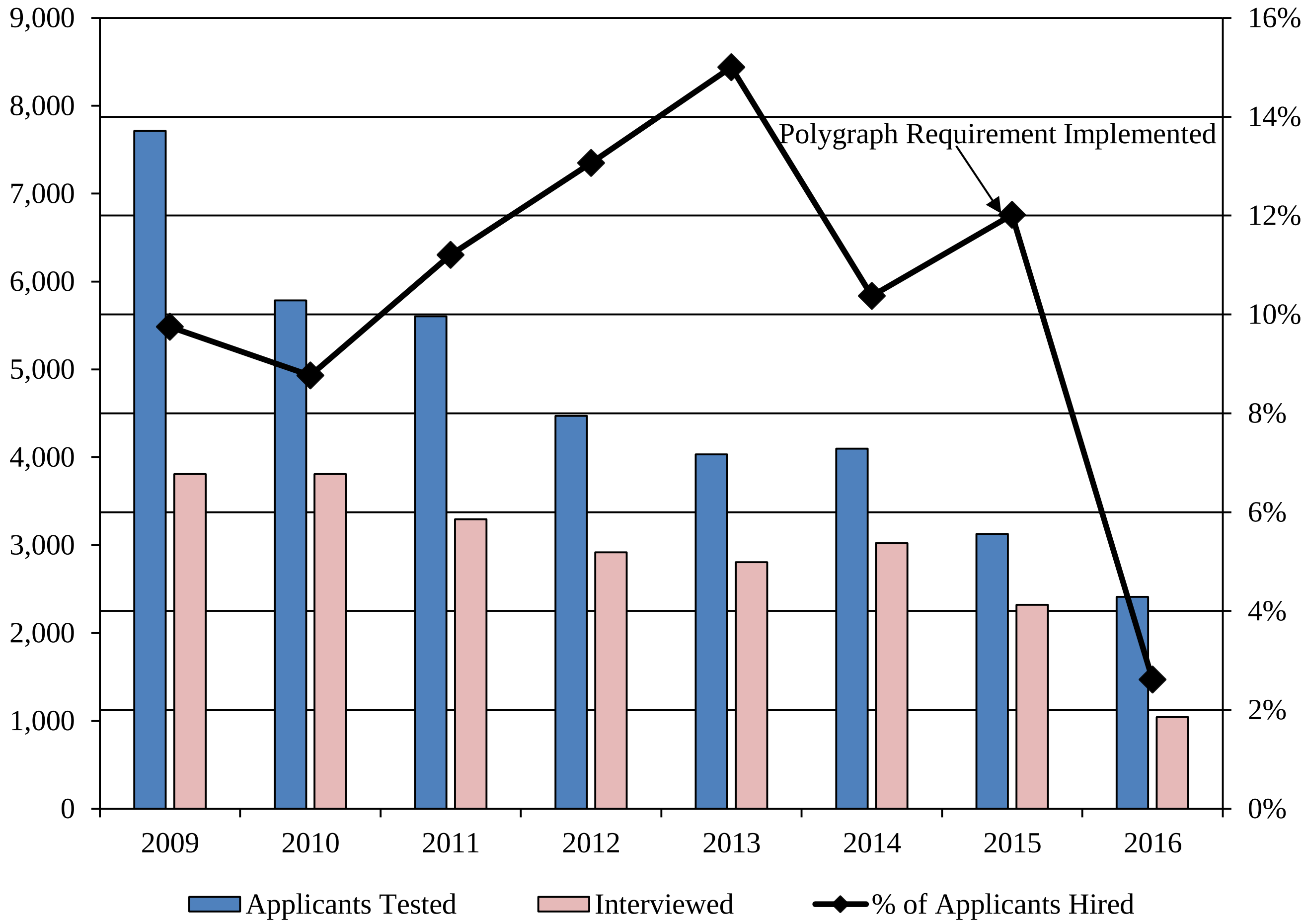


Source: Department of Public Safety and Correctional Services

Recruitment Issues

According to DPSCS, the increase in correctional officer vacancies since fiscal 2014, is primarily the result of increased terminations, retirements, and difficulties recruiting due to a State law requiring correctional applicants to successfully pass a polygraph test prior to hire. **Exhibit 8** shows the number of correctional officer applicants tested, interviewed, and hired each year since calendar 2009.

Exhibit 8
Department of Public Safety and Correctional Services
Correctional Officer Recruitment Measures
Calendar 2009-2016



Source: Department of Public Safety and Correctional Services

In 2009, two years after a sizeable compensation enhancement package was implemented for correctional officers, DPSCS tested a total of 7,715 applicants, with more than 3,800 receiving an interview and 10% were hired. Although the department has averaged hiring 10% of its applicant pool each year since 2009, the total number of applicants tested has declined by nearly 70%, to less than 2,500 applicants in 2016. The resulting impact is that hiring 10% of the applicant pool in 2009, generated 752 new correctional officers, compared to 376 new hires in 2015.

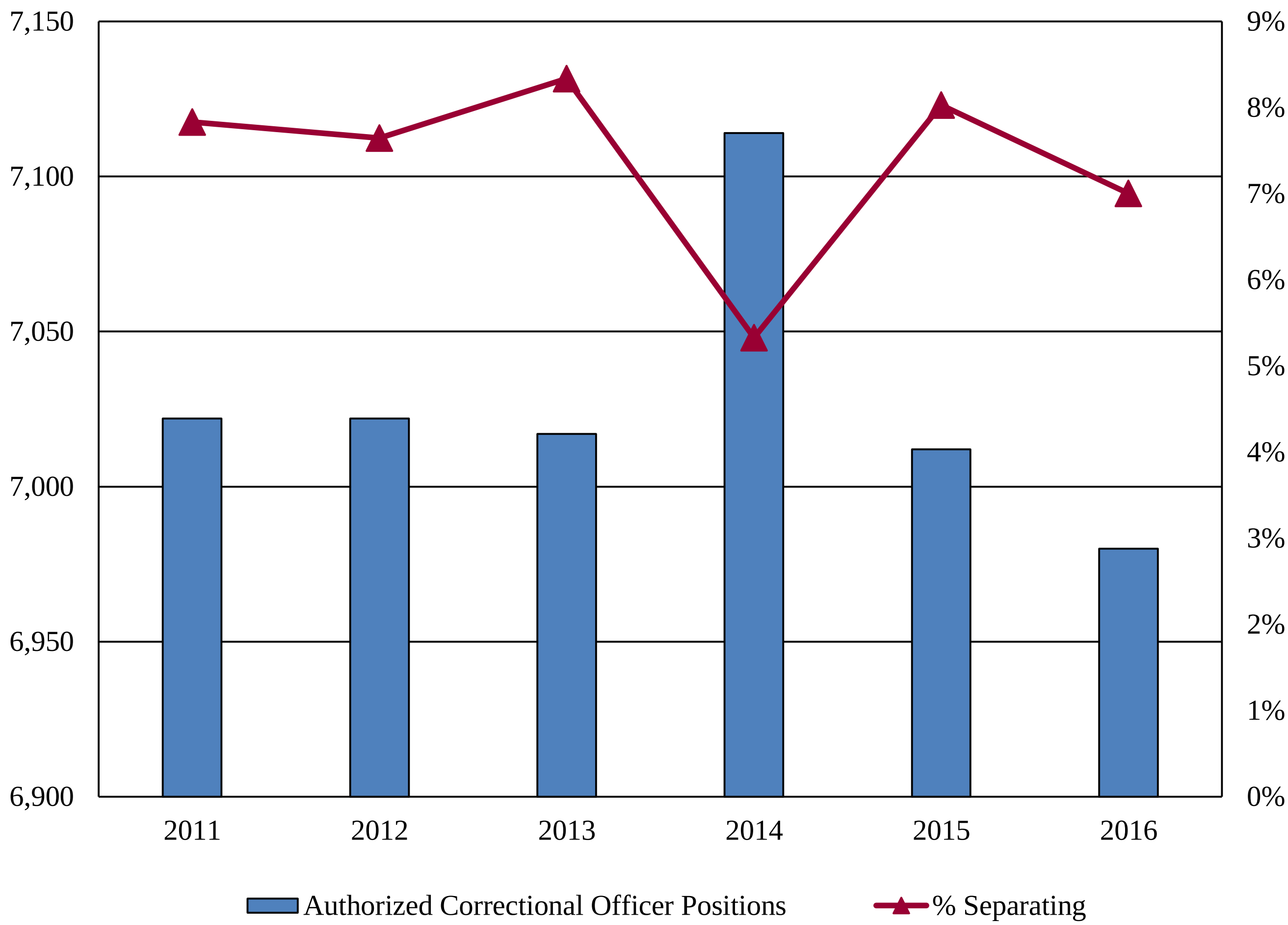
As the chart indicates, the percent of applicants hired increased between 2010 and 2013. Following a corruption scandal involving staff and inmates at the Baltimore City Detention Center in 2013, DPSCS became more stringent with its hiring criteria for correctional staff. As a result, the percent of new hires declined. Most dramatic is the decrease in 2016, with only 63 new correctional officers hired. This represents less than 3% of applicants for the position in 2016. DPSCS points to implementation of the polygraph requirement in Chapter 407 of 2015 as the reason for the drop off, although the number of applicants tested and interviewed were 23% and 55% below 2015, respectively. Only one month into 2017, and it is not clear yet whether 2016 is an anomaly or the start of a new trend.

Retention Problems

Exhibit 9 compares the number of authorized correctional officer positions to the percent separating from the department each year due to resignation, retirement, or termination since 2011. The number of authorized correctional officer positions has remained relatively stable for the past six years, with the exception of 2014. DPSCS was authorized an additional 100 correctional officers in 2014, in accordance with legislative intent and a number of staffing analyses indicating the department was operating with a correctional officer complement short hundreds of positions. The additional positions were not retained by DPSCS in 2015, and beyond, due to cost containment.

Over the past six years, DPSCS has averaged 7.4% of its correctional officer workforce leaving employment due to resignation, retirement, or termination. In 2016, 489 correctional officers separated from DPSCS employment, of which 342 were due to retirement. The department also had 543 Correctional Officer Bill of Rights and Office of Administrative Hearings cases assigned for disciplinary charges. Of those 543 cases, 89 resulted in termination or resignation in lieu of termination or retirement. Forty-two of the 89 cases were correctional officers.

Exhibit 9
Department of Public Safety and Correctional Services
Correctional Officer Separations
Calendar 2011-2016



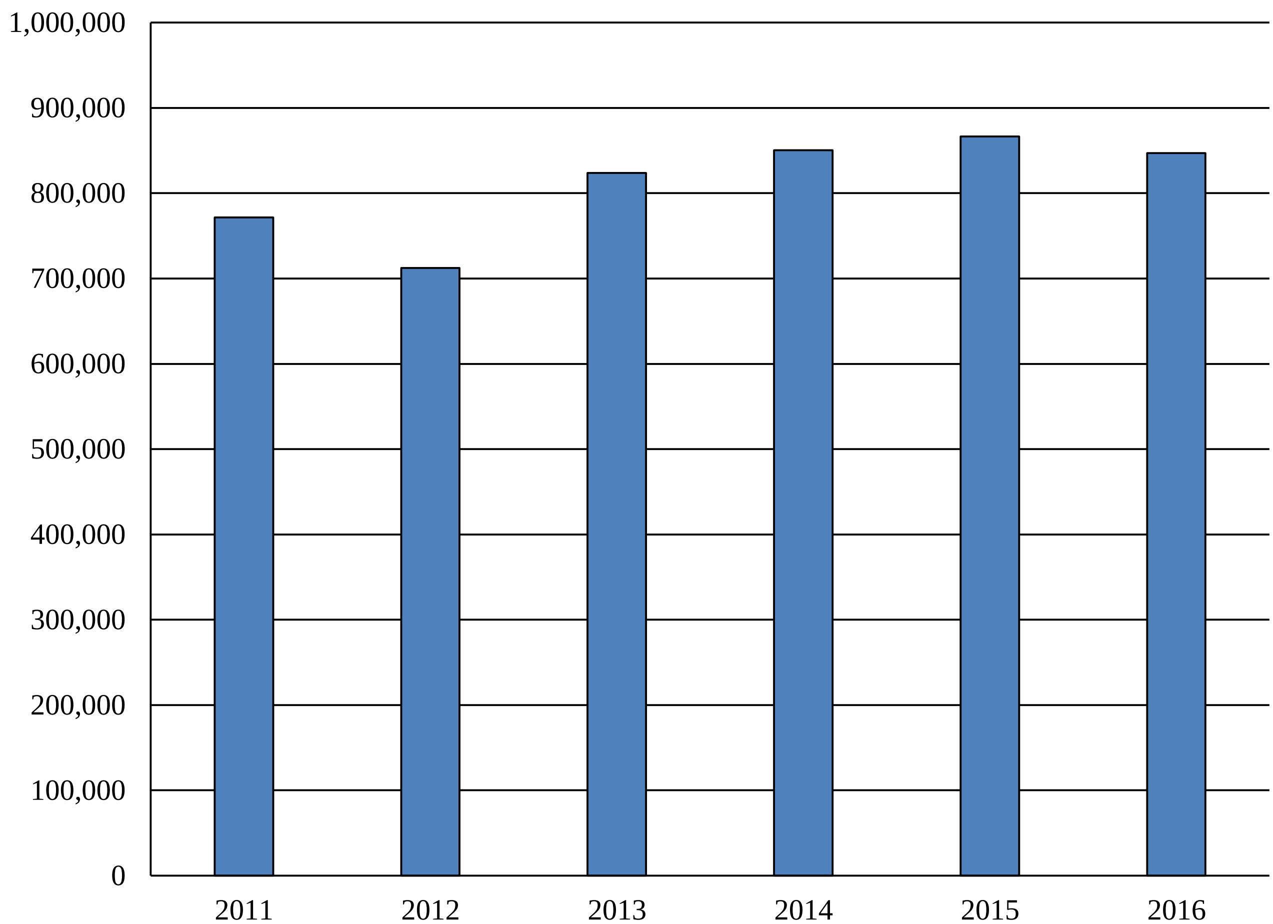
Source: Department of Public Safety and Correctional Services

Employee Wellness

Although sick leave does not necessarily equate to a vacancy the way a lack of recruiting or a retirement might, it does contribute to the use of overtime and the relief factor used by the department to determine the number of posts and positions needs to adequately staff a facility. Additionally, increased use of sick leave can be indicative of issues with employee well-being and satisfaction with the work environment.

Exhibit 10 compares the department's annual sick leave usage since 2011. Between calendar 2012 and 2015, the number of sick leave hours used by DPSCS employees increased by over 154,000 hours, or 21.6%. Sick leave decreased slightly, by 2.2%, in calendar 2016, with nearly 847,000 total hours used. This equates to nearly 10.0 staff days per position. DPSCS points to a calendar 2010 change in sick leave policy, requiring the department to grant sick leave for health-related issues even if the employee has expended all sick leave, as the reason for the increased use since calendar 2012.

Exhibit 10
Department of Public Safety and Correctional Services
Sick Leave Hours Used
Calendar 2011-2016



Source: Department of Public Safety and Correctional Services

How Is DPSCS Addressing the Issue?

DPSCS is attempting to implement a variety of strategies to address the identified staffing deficiencies, primarily targeted at improving recruitment. Some of the department's initiatives include:

- development of a Correctional Officer Cadet Program comprised of 52 cadets between the ages of 18 and 20 who act in nonsupervisory roles and will transition to correctional officers, once eligible at the age of 21;
- enhancing the Recruitment Unit with three professional recruiters;
- reaching out to existing correctional officers to identify and attend community events likely to attract qualified applicants;
- development of a new recruitment focused media campaign, including broadcasting a professional recruitment video on regional television stations, placement of a billboard display on MD Route 220 near Cumberland, and increased signage and professional recruitment banners for display on public buildings in high traffic areas;
- regular outreach to various military affiliates and veteran communities;
- regular attendance at higher education and other career fairs;
- reinstatement of the $500 "Finder's Fee" program as an incentive for employees to recruit qualified candidates; and
- regional walk-in testing for correctional positions.

In addition, the department made modifications in 2015 to attempt to lessen the number of sick leave hours used. These modifications contributed to the 2.2% decline in sick leave between 2015 and 2016.

What Else Can Be Done?

For the past several years, the Association of State Correctional Administrators has conducted a nationwide survey that lists correctional officer staffing as one of the top five concerns. The department's extraordinarily high vacancy rate, coupled with the data presented in this issue, indicates that recruitment, retention, and employee well-being are also concerns for Maryland. The department's highlighted strategies to improve hiring focus heavily on recruitment, but a variety of other solutions are worth exploring. These could include:

- improving compensation, such as salary increases, retention bonuses, or modifications to correctional officer retirement;

- implementing programs designed to evaluate and improve employee wellness and satisfaction with the work environment;

- evaluating whether certain hiring standards could be modified or relaxed to increase the applicant pool;

- identifying operational efficiencies as a means of lessening the number of positions needed (*e.g.*, evaluating the potential to centralize services or unify operations, implement alternative schedules to better match deployment to staffing needs, adjust the time of day-to-day operations to lower peak periods of demand, *etc*.);

- evaluating the potential for civilianizing certain functions, avoiding the need for intensive training and hiring requirements; and

- offering part-time employment or rehiring retired officers.

A number of these potential solutions would incur significant cost; however, the impact to employee morale and safety from not filling vacancies is also a concern. Further evaluation is warranted; however, DPSCS is currently unable to provide a variety of information that would make a more comprehensive analysis of staffing impediments and solutions possible. At this time, quantitative data is not available regarding the department's use of forced overtime or how overtime earnings/hours worked are distributed among employees. Additionally, DPSCS does not collect or evaluate attrition rates for correctional employees to determine how rapidly new hires are leaving DPSCS employment. It is also not clear to what extent exit interviews are conducted prior to separation and whether that information has ever been aggregated or evaluated for other potential areas of improvement.

DLS recommends the addition of budget language restricting funds pending the receipt of a report from DPSCS, in consultation with DBM, providing data pertaining to overtime use and attrition rates, as well as an evaluation of the suggested solutions to the department's staffing crisis.

2. Inmate Banking Accounts

DPSCS maintains inmate funds, which are nonbudgeted funds initially deposited with the State Treasurer and recorded in the inmate's personal account on the Maryland Offender Banking System (MOBS) II. MOBS II replaced the department's former inmate account system, MOBS, in August 2014. MOBS II serves as a record of each inmate's account activity, including funds received and disbursed, as well as the available balance. Inmate funds can be saved, provided directly to inmates in certain circumstances such as upon their release, or inmates can direct the institutions to disburse these funds to third parties.

The DPSCS finance offices have had a history of issues related to the reconciliation of inmate banking accounts. Most recently, legislative audit reports issued in 2015 indicated that the regional finance offices had not fully reconciled inmate fund records with the corresponding records maintained by the Comptroller of Maryland. In response to those findings, DPSCS began centralizing the regional finance offices, with plans to have all regions reconciled by June 2016. Additionally, DPSCS began completing reconciliations on a monthly, as opposed to quarterly, basis, and signaled intentions to begin testing a MOBS/Financial Management Information System interface project expected to simplify and expedite the reconciliation project.

Fiscal 2017 budget bill language restricted $125,000 in general funds within the division's administrative budget until monthly inmate account reconciliation reports were provided for July 2016 through May 2017. Consideration for release of funds is not anticipated until the end of fiscal 2017; however, a review of the submitted reports, to date, shows that inmate accounts for the Division of Pretrial Detention and Services have not been reconciled since July 2016. The most recent month submitted to the budget committees is for October 2016, and the unreconciled amount is $34,459. DPSCS indicates that this is due to severe staffing shortages in the Baltimore region and other areas of the finance unit.

DPSCS should provide an update on the status of the monthly reconciliations and any plans for filling administrative vacancies or conducting necessary training to ensure that regular reconciliations occur in all regions.

Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that $100,000 of this appropriation may not be expended until the Department of Public Safety and Correctional Services (DPSCS), in consultation with the Department of Budget and Management, submits a report to the budget committees providing the following information:

(1) fiscal 2015, 2016, and 2017 data on the number of employees, delineated by category (correctional officer, parole and probation agent, or administrative), leaving DPSCS employment within 6, 12, and 24 months of hire;

(2 fiscal 2015, 2016, and 2017 data on the number of employees, delineated by category (correctional officer, parole and probation agent, or administrative), leaving DPSCS employment by reason for the separation;

(3) the amount of nonvoluntary overtime hours worked by DPSCS employees between May 2017 and October 2017;

(4) the distribution of overtime hours worked and amount earned among DPSCS correctional employees in fiscal 2015, 2016, and 2017; and

(5) a detailed plan for reducing the number of vacancies throughout the department, particularly among correctional officer and administrative staff. The plan should include an evaluation and fiscal estimate of solutions addressing compensation, improvements in employee wellness, the potential for utilizing part-time or retired staff, potential operating efficiencies designed to lessen staffing needs, using civilian positions in lieu of uniformed personnel, and relaxation of hiring standards.

The report shall be submitted by November 1, 2017, and the budget committees shall have 45 days to review and comment. Funds restricted pending receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: DPSCS is facing a staffing crisis. As of January 1, 2017, the departmentwide vacancy rate was 15.3%. The majority of the vacancies occur within the correctional and administrative staff, which have January 2017 vacancy rates of 13.9% and 20.3%, respectively. DPSCS is implementing a variety of strategies to improve recruitment; however, further analysis of the staffing issue and potential solutions is warranted. This language restricts funds until DPSCS provides a variety of staffing data that is currently not available, but would prove useful in conducting a comprehensive evaluation of the department's ongoing staffing struggles. Additionally, the language requires DPSCS to develop a detailed plan for addressing the nearly 1,300 vacant positions that remain following the elimination of 400 vacancies in the fiscal 2018 budget. The report must be submitted to the budget committees no later than November 1, 2017.

Information Request	**Author**	**Due Date**
DPSCS staffing data and vacancy reduction plan	DPSCS	November 1, 2017

2. Adopt the following narrative:

Downsizing the Maryland Correctional Institution – Hagerstown: Due to reductions in the inmate population, the Department of Public Safety and Correctional Services (DPSCS) is able to implement a partial closure of the Maryland Correctional Institution – Hagerstown (MCI-H). In association with the planned downsizing, the fiscal 2018 budget is reduced by 400 vacant positions and $16.9 million. The budget committees are interested in receiving detail regarding the exact positions being abolished, the redistribution of the inmate population, and the impact on the remaining bed capacity. DPSCS should submit the report to the budget committees no later than October 1, 2017.

Information Request	**Author**	**Due Date**
MCI-H downsizing	DPSCS	October 1, 2017

Appendix 1
Object/Fund Difference Report
DPSCS – Division of Correction

Object/Fund	FY 16 Actual	FY 17 Working Appropriation	FY 18 Allowance	FY 17 - FY 18 Amount Change	Percent Change
Positions					
01 Regular	5,816.50	5,750.00	5,750.00	0.00	0%
02 Contractual	21.79	72.33	81.11	8.78	12.1%
Total Positions	**5,838.29**	**5,822.33**	**5,831.11**	**8.78**	**0.2%**
Objects					
01 Salaries and Wages	$ 460,732,126	$ 482,798,085	$ 486,246,199	$ 3,448,114	0.7%
02 Technical and Spec. Fees	1,076,752	1,882,429	1,681,563	-200,866	-10.7%
03 Communication	1,316,361	1,372,890	1,396,982	24,092	1.8%
04 Travel	67,950	111,050	108,550	-2,500	-2.3%
06 Fuel and Utilities	38,217,892	40,716,385	37,356,137	-3,360,248	-8.3%
07 Motor Vehicles	2,767,727	2,695,430	3,075,599	380,169	14.1%
08 Contractual Services	136,847,850	148,534,263	156,627,592	8,093,329	5.4%
09 Supplies and Materials	71,631,229	72,974,552	73,482,043	507,491	0.7%
10 Equipment – Replacement	3,028,724	1,080,700	921,667	-159,033	-14.7%
11 Equipment – Additional	465,624	1,264,697	312,458	-952,239	-75.3%
12 Grants, Subsidies, and Contributions	7,769,794	8,178,154	7,974,175	-203,979	-2.5%
13 Fixed Charges	1,394,876	1,364,384	1,460,272	95,888	7.0%
14 Land and Structures	3,577,207	1,279,000	500,000	-779,000	-60.9%
Total Objects	**$ 728,894,112**	**$ 764,252,019**	**$ 771,143,237**	**$ 6,891,218**	**0.9%**
Funds					
01 General Fund	$ 662,212,923	$ 695,844,011	$ 705,843,232	$ 9,999,221	1.4%
03 Special Fund	62,644,985	63,592,099	61,564,238	-2,027,861	-3.2%
05 Federal Fund	1,240,130	1,318,186	1,240,000	-78,186	-5.9%
09 Reimbursable Fund	2,796,074	3,497,723	2,495,767	-1,001,956	-28.6%
Total Funds	**$ 728,894,112**	**$ 764,252,019**	**$ 771,143,237**	**$ 6,891,218**	**0.9%**

DPSCS: Department of Public Safety and Correctional Services

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 2
Fiscal Summary
DPSCS – Division of Correction

Program/Unit	FY 16 Actual	FY 17 Wrk Approp	FY 18 Allowance	Change	FY 17 - FY 18 % Change
03 Maryland Correctional Enterprises	$ 57,302,286	$ 60,738,176	$ 59,258,838	-$ 1,479,338	-2.4%
01 Division of Correction Headquarters	13,251,789	16,245,188	15,287,002	-958,186	-5.9%
02 Corrections – North Region Operations	321,385,368	328,983,750	332,604,530	3,620,780	1.1%
02 Corrections – South Region Operations	336,954,669	358,284,905	363,992,867	5,707,962	1.6%
Total Expenditures	**$ 728,894,112**	**$ 764,252,019**	**$ 771,143,237**	**$ 6,891,218**	**0.9%**
General Fund	$ 662,212,923	$ 695,844,011	$ 705,843,232	$ 9,999,221	1.4%
Special Fund	62,644,985	63,592,099	61,564,238	-2,027,861	-3.2%
Federal Fund	1,240,130	1,318,186	1,240,000	-78,186	-5.9%
Total Appropriations	**$ 726,098,038**	**$ 760,754,296**	**$ 768,647,470**	**$ 7,893,174**	**1.0%**
Reimbursable Fund	$ 2,796,074	$ 3,497,723	$ 2,495,767	-$ 1,001,956	-28.6%
Total Funds	**$ 728,894,112**	**$ 764,252,019**	**$ 771,143,237**	**$ 6,891,218**	**0.9%**

DPSCS: Department of Public Safety and Correctional Services

Note: Does not include targeted reversions, deficiencies, and contingent reductions.