

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 887 (Chairman, Health and Government Operations Committee)
(By Request – Departmental – Public Safety and Correctional Services)
Health and Government Operations

Correctional Services - State Use Industries

This departmental bill allows the revolving fund of State Use Industries (SUI) to be used to provide funds to the Division of Correction (DOC) to improve the employability of DOC inmates on their release.

Fiscal Summary

State Effect: SUI special funds of \$450,000 annually could be transferred to the operating budget of DOC according to the Department of Public Safety and Correctional Services (DPSCS).

Local Effect: None.

Small Business Effect: DPSCS has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: SUI is an organization in DOC that:

- is financially self-supporting, generates revenue for its operations and capital investments, and reimburses DOC at a reasonable rate for services exchanged between DOC and SUI;

- provides meaningful work experiences for inmates that are intended to allow inmates to improve work habits, attitudes, and skills for the purpose of improving the employability of the inmates on release;
- seeks to develop industries that provide full-time work experience or rehabilitation programs for all eligible inmates;
- operates correctional industries in an environment that resembles as closely as possible the environment of private sector business operations; and
- makes DOC responsible for and accountable to the Secretary of Public Safety and Correctional Services and the Governor for the SUI program.

SUI's revolving fund, which is included in the budget of DPSCS, may be used for general operating expenses and the purchase of capital assets.

SUI must annually submit a statement to the Comptroller and the Treasurer that provides an accurate and detailed accounting of all receipts and disbursements from the revolving fund. General funds may be appropriated to SUI to be used for the direct expenses of training inmates.

In addition, DOC must annually submit a complete financial and operational report of SUI and the revolving fund to the Governor, the Secretary of Public Safety and Correctional Services, and the Secretary of Budget and Management. The report must: (1) be in the same general form as a report by DOC on its operations and programs; and (2) include information about present and projected personnel and compensation requirements of SUI. The Governor and the two secretaries may include data from the report in the preparation of the budget and capital improvement bill.

Background: SUI provides work and job training for inmates incarcerated in DOC funded by the sales revenue from the goods it produces and the services it supplies to local, State, and federal agencies. These goods and services are also available for purchase by charitable, civic, educational, fraternal, or religious organizations. SUI's cost is at or below the prevailing average market price.

The Budget Reconciliation and Financing Acts (BRFA) of 2002 and 2003 transferred \$2 million in each of fiscal 2002, 2003, and 2004 from SUI to the general fund. SUI advises that the fund balance is difficult to estimate as revenues in fiscal 2003 were unusually high and year-to-date attainment for fiscal 2004 is considerably lower than the same time last year. SUI further advises that revenues for fiscal 2004 and 2005 could be 20% lower than projected.

State Fiscal Effect: DOC advises that it will utilize the additional special funds to provide inmates with training such as how to prepare for a job interview or how to fill out an employment application or write a resume. DOC asserts that the annual transfers from the revolving fund will be included in each year's budget allowance as a set amount. Through fiscal 2009, that amount is expected to be \$450,000.

SUI's revolving fund revenues have declined sharply in recent years: 18% from fiscal 2002 to 2003; with 20% decreases projected for fiscal 2004 and 2005. Including the fund transfer via the 2003 BRFA, the ending fiscal 2004 fund balance for SUI is projected to be approximately \$9.2 million.

Additional Comments: SB 509/HB 870, the Administration's Fund Transfers Act of 2004, would again transfer \$2 million in fiscal 2005. With this transfer, the ending fiscal 2005 fund balance for SUI is projected to be approximately \$4.5 million.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Public Safety and Correctional Services,
Department of Legislative Services

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