

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

**FISCAL AND POLICY NOTE**

House Bill 1048

(Chair, Appropriations Committee) (By Request –  
Departmental – Public Safety and Correctional Services)

Appropriations

Budget and Taxation

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**Correctional Services - Maryland Correctional Enterprises - Revolving Fund**

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This departmental bill repeals a requirement that \$1.0 million be transferred in fiscal 2006 through 2009 from the Maryland Correctional Enterprises (MCE) revolving fund to a special fund to be used by the Maryland State Department of Education for educational programs in correctional institutions.

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**Fiscal Summary**

**State Effect:** None. MCE does not have the funds to make the \$1.0 million transfer to MSDE in FY 2009. Educational programs provided by MSDE in adult correctional facilities would continue generally at current levels, though without the ability to expand. MSDE has not budgeted for the receipt of these funds in FY 2009.

**Local Effect:** None.

**Small Business Effect:** The Department of Public Safety and Correctional Services has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

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**Analysis**

**Current Law:** Chapter 430 of 2004 required MCE to transfer the first \$1.0 million in excess of what is required for MCE operations to MSDE each year from fiscal 2006 through 2009 for the operation of educational programs in correctional institutions. In December 2006, citing MCE cash flow problems, the Department of Public Safety and

Correctional Services requested that MCE be allowed to not transfer the \$1.0 million for fiscal 2007 through 2009 due to cash flow problems. That request was approved by the budget committees, but only for fiscal 2007 and 2008.

DPSCS believes that the remaining transfer obligation of \$1.0 million for fiscal 2009 has prevented MCE from “sound investments in physical plant space and equipment.” The department advises that MCE has transferred \$9.0 million over the last five years to either the general fund or MSDE, which could have been invested in the purchase of capital equipment or the expansion of training and employment efforts for inmates.

To address cash flow problems, MCE is borrowing \$1,770,675 million (@ 2.94%) from the Comptroller to pay for additional equipment in connection with MCE’s takeover of the DOC central laundry facility. In addition, construction of a warehouse has been placed on hold. As of January 31, 2008, MCE’s cash on hand totaled \$7,168,847. Cash restrictions on that balance (including reserved amounts, encumbrances, and existing expansion projects) totaled \$7,414,143, a cash shortfall of \$245,296.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education, Department of Public Safety and Correctional Services, Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2008  
ncs/jr

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