

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1265 (Delegate Hill, *et al.*)
 Economic Matters

Prisoner Labor Pay

This bill prohibits the compensation rate for inmate labor in Maryland Correctional Enterprises (MCE) from being less than the State minimum wage.

Fiscal Summary

State Effect: General fund expenditures increase by \$19.0 million in FY 2020 and by \$25.3 million annually thereafter. Revenues are not materially affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	18,972,000	25,296,000	25,296,000	25,296,000	25,296,000
Net Effect	(\$18,972,000)	(\$25,296,000)	(\$25,296,000)	(\$25,296,000)	(\$25,296,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government finances are not materially affected.

Small Business Effect: None.

Analysis

Current Law/Background:

Maryland Correctional Enterprises

MCE (formerly State Use Industries) provides work and job training for inmates incarcerated in State correctional facilities. MCE produces goods and supplies services at a cost that does not exceed the prevailing average market price. These goods and services

are used by local, State, and federal agencies. These goods are also available for use by charitable, civic, educational, fraternal, or religious organizations. In fiscal 2017, MCE employed 2,042 inmates and generated revenues of \$59.1 million, resulting in a net profit of approximately \$1.3 million, following a \$2.5 million transfer from the revolving fund to the general fund. However, in fiscal 2018, MCE reports that staff vacancy rates have negatively affected inmate employment, with the number of inmates employed falling to 1,719.

The Commissioner of Correction and the Chief Executive Officer of Maryland Correctional Enterprises must establish the compensation rate for inmate labor in MCE, taking into consideration other wage payments and incentives in other programs. Inmate wages are standard throughout State correctional facilities. The starting pay scale is based on skill category, with wages ranging from \$0.17 per hour for unskilled positions up to \$10.10 per hour for MCE work release positions. In fiscal 2018, inmate wages accounted for \$2.15 million of MCE's budget.

Maryland Wage and Hour Law

The Maryland Wage and Hour Law is the State complement to the federal Fair Labor Standards Act. State law sets minimum wage standards to provide a maintenance level consistent with the needs of the population. State law specifies that an employee must be paid the greater of the federal minimum wage (which is currently \$7.25 per hour) or \$10.10 per hour.

State Expenditures: The Department of Public Safety and Correctional Services (DPSCS) advises that, based on the average daily working hours throughout the 26 business units within MCE, the workforce accumulated approximately 2.7 million hours of training and employment in fiscal 2018. Assuming the number of hours remains constant over time, general fund expenditures for inmate wages increase by approximately \$19.0 million in fiscal 2020 (due to the bill's October 1, 2019 effective date) and by approximately \$25.3 million annually thereafter. This assumes that, in the absence of the bill, DPSCS would otherwise incur \$2.15 million annually in costs for inmate wages.

Additional Comments: Legislation has been introduced to increase the State's minimum wage. To the extent any future legislation is enacted that increases the State's minimum wage beyond \$10.10 per hour, general fund expenditures increase further.

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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mm/lgc

Analysis by: Shirleen M. E. Pilgrim

Direct Inquiries to:
(410) 946-5510
(301) 970-5510