



Legislative Fiscal Bureau

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July 23, 2019

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Corrections: Section 13.10 Request for Fiscal Adjustments Between Appropriations --
Agenda Item II

On July 15, 2019, the Department of Corrections submitted a s. 13.10 request for: (a) a transfer of \$2,084,100 GPR expenditure authority from the Department's services for drunken driving offenders appropriation [s. 20.410(1)(bd)] to the adult general program operations appropriation [s. 20.410(1)(a)]; (b) a one-time increase in expenditure authority of \$1,000,000 PR in the Department's telephone company commissions appropriation [s. 20.410(1)(gt)] for the purchase of supplies and services for the Department's adult inmates; and (c) a transfer of \$850,000 GPR expenditure authority from the Department's serious juvenile offenders appropriation [s. 20.410(3)(cg)] to the juvenile general program operations appropriation [20.410(3)(a)].

ANALYSIS

The Department's 13.10 request includes proposals to transfer funds between appropriations in both the Division of Adult Institutions (DAI) and the Division of Juvenile Corrections (DJC).

The Department requests the transfer of funds between DAI appropriations in 2018-19 to address an anticipated shortfall in its general program operations appropriation as a result of continued high inmate health costs. The Department was budgeted \$87,231,800 GPR in 2018-19 for variable inmate health (including \$3,000,000 in Electronic Medical Records (EMR) funding), but is projected to expend \$91,181,700 GPR in the fiscal year (including EMR expenditures). Under the request, an additional \$2,084,100 GPR would be transferred from another appropriation within the Department to offset these higher costs. In addition, Corrections requests a one-time increase in PR expenditure authority in the telephone company commissions appropriation to pay for eligible inmate expenses from this appropriation, instead of from the general program operations appropriation. The increased expenditure authority of \$1,000,000 in 2018-19 in the telephone company commission appropriation will allow the Department to fund additional healthcare

expenses out of the general programs operation appropriation. Under the request, Corrections will transfer funds within its existing budget for general program operations to cover the costs of the estimated remaining deficit (\$865,800).

In addition, the Department requests the transfer of funds between appropriations in 2018-19 to address unbudgeted expenditures in the DJC. The Department was budgeted \$3,385,500 GPR in 2018-19 for general program operations, but is projected to expend \$4,215,500 GPR in the fiscal year. Under the request, an additional \$850,000 GPR would be transferred from the serious juvenile offender program (SJO) for higher than expected operational costs.

Variable Inmate Health Funding Shortfall

As specified under s. 302.385 of the statutes, the standards for delivery of health services in correctional facilities must be based on "the standards of any professional organization that establishes standards for health services in prisons and that is recognized by the department." The Department of Corrections follows standards established by the National Commission on Correctional Health Care.

This request is similar to s. 13.10 requests the Department has submitted to the Committee each year since 2014. The Department indicates that "almost half" of the projected budgetary shortfall is from expenditures in excess of budget for the implementation of EMR. The Department budgeted \$3,000,000 annually for the implementation of EMR. The Department projects EMR implementation will cost \$4,835,600 in 2018-19. The EMR system is intended to replace the Department's paper-based medical records system; all institutions were converted to EMR by February, 2019.

The remainder of the shortfall is associated with the increased and aging population that has required additional and more costly medical care. Over the course of 2018-19, the highest medical costs were associated with hospital stays (\$32,089,400) and prescription drug costs (\$31,199,700) (costs for the all remaining supplies and services are projected to total \$23,057,000). While the 2018-19 hospital stay and prescription drug costs were lower than the 2017-18 hospital stay and prescription drug costs (\$34,335,400 and \$33,796,300, respectively), these costs still contributed to exceeding the 2018-19 budgeted amount of \$84,231,800.

2018-19 Healthcare and EMR Funding Over Expenditures

Healthcare Budget	\$84,231,800
EMR Budget	<u>3,000,000</u>
Total	\$87,231,800
Projected Healthcare Expenditures	\$86,346,100
Projected EMR Expenditures	<u>4,835,600</u>
Total	\$91,181,700
Difference Between Budgeted and Expended	\$3,949,900

Unbudgeted Expenditures in the Division of Juvenile Corrections

In order to comply with the consent decree and permanent injunction related to *J.J. et al v. Litscher et al*, DJC is contracting with a court-appointed monitor to travel regularly to Lincoln Hills and Copper Lake Schools (LHS/CLS). Given that the consent decree was entered into in 2018, the cost for the monitor and associated fees were not incorporated into the Division's budget. In addition, DJC implemented facility improvements suggested by the monitor, which were also not included in the last budget. Corrections has been working with the court monitor to improve the physical appearance and safety of LHS/CLS. The following items are categories of expenses related to those activities: (a) monitor fees were approximately \$103,400; (b) replacement furniture for youth bedrooms was approximately \$349,900; and (c) living unit maintenance and landscaping were approximately \$46,700.

In order to work toward implementing 2017 Act 185, DJC has hired limited-term employees (LTEs) and a consultant (Youth In Custody Practice Model Consultant) that assisted with incorporating best practices into development of emergency rule DOC 347 regarding Secure Residential Care Centers and assisting with other tasks at LHS/CLS. Consultant costs were approximately \$105,800. Funding for LTEs to work on data collection, administrative rule development, and Juvenile Corrections Study Committee work were approximately \$94,200.

Further, a fire in the former Ethan Allen School (a property for which the Department is responsible) resulted in the loss of maintenance equipment. In order to continue maintenance at the mothballed facility, approximately \$150,000 was used to replace equipment that was damaged. Equipment lost and replaced includes mowers, a skid loader, and a utility truck with a plow and salter.

2018-19 DJC GPR General Operations Budget and Expenditures

Juvenile General Operations Budget	\$3,385,500
Consent Decree Expenditures	
Monitor Fees	\$103,400
Youth Furniture	349,900
Living Unit Maintenance	46,700
Consent Decree Expenditures	
Youth In Custody Practice Model Consultant	105,800
LTE Positions	94,200
Ethan Allen Fire Expenditures	<u>150,000</u>
Total	\$4,215,500
Difference Between Budgeted and Expended	\$850,000

Appropriation Reallocations

To address the 2018-19 deficits, Corrections requests the transfer of surplus monies from the following appropriations: (a) services for drunk driving offenders appropriation (\$2,084,100); and (b) serious juvenile offenders appropriation (\$850,000).

Services for Drunk Driving Offenders. Funding for the services for drunk driving offenders appropriation is limited to the treatment, monitoring, and supervision of individuals on probation for second- or third-offense OWI convictions only. Due to the specific nature of funding in this appropriation, the Department anticipates that funds within the appropriation will be underspent for the allotted purpose. As in prior requests, the Department is proposing to transfer monies to cover inmate healthcare needs. The Department indicates that no substance abuse programming will be cut or amended as a result of this transfer of funds.

Serious Juvenile Offenders. Corrections' serious juvenile offender appropriation supports costs for juvenile correctional institution, alternate care, community supervision, and other juvenile program services for juveniles placed in the serious juvenile offender program. The Department estimates an available surplus of \$9,138,800 GPR of its current \$19 million GPR as a result of fewer juvenile offenders placed in juvenile correctional institutions in 2018-19.

Expenditure Authority Increase in the Telephone Company Commissions Appropriation

Under the Department's current contract with Embarq Payphone Services Inc, inmates may phone approved individuals outside of the institution for a cost of 12 to 18 cents per minute. Statutorily, two-thirds of the revenues collected from the calls are deposited into the state's general fund. The remaining one-third is deposited in the Department's telephone company commission appropriation to purchase supplies and/or services to that directly benefit adult inmates (including recreation equipment and repair, education testing materials and supplies, library materials, and programming supplies, among others). Under the current contract, the state receives 4 cents per call (approximately 2.66 cents is allocated to the general fund and approximately 1.33 cents is allocated to the Department).

In 2018-19, the Department generated \$1,391,600 in revenue from telephone company commissions. Due to lower levels of expenditure authority in the telephone company commissions appropriation, the Department paid for some inmate expenses in 2018-19 using general program operation funds that could be supported from the PR appropriation. These include: (a) \$50,000 from contractual services (including interpreter services, volunteer mileage, and religious services); (b) \$400,000 from supplies and services (including recreation and education equipment, program supplies, books, bus tickets, and entertainment equipment); and (c) \$550,000 from variable non-food (including inmate clothing, linens, mattresses, gym shoes, wheelchairs, personal washing machines, and unit ice machines). The Department's current expenditure authority in the telephone company commissions appropriation is \$1,404,600; the projected year end cash balance of approximately \$2,100,000. This request would result in a total 2018-19 expenditure authority of \$2,404,600. The Department request allows the Department to pay 2018-19 healthcare expenses from the general program operations appropriation.

July, 2019, Corrections s. 13.10 Request Summary

Projected Healthcare Budgetary Shortfall	\$3,949,900
Surplus Appropriations - Servicers for Drunk Driving Offenses	\$2,084,100
General Program Operations Savings	1,000,000
Internal Reallocations	<u>865,800</u>
Total	\$3,949,900
Projected Juvenile Budgetary Shortfall	\$850,000
Serious Juvenile Offender Program Transfer	\$850,000

If the Committee does not approve the request to transfer funds from appropriations within the agency, Corrections would be required to reevaluate the agency's GPR appropriations and resubmit a s. 13.10 request to the Committee at a later date. However, given that accounting transactions for fiscal year 2018-19 must be completed before the end of July, 2019, such a review and approval would be difficult.

CONCLUSION

The Department's request to transfer funds within 2018-19 avoids deficits in certain appropriations. In addition, sufficient funding is available to make the transfers.

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