

Q00A00
Office of the Secretary
Department of Public Safety and Correctional Services

Operating Budget Data

(\$ in Thousands)

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$52,426	\$69,432	\$60,298	-\$9,133	-13.2%
Special Fund	64,035	58,795	63,867	5,072	8.6%
Federal Fund	1,266	1,320	940	-380	-28.8%
Reimbursable Fund	<u>4,408</u>	<u>1,875</u>	<u>1,322</u>	<u>-553</u>	<u>-29.5%</u>
Total Funds	\$122,134	\$131,422	\$126,428	-\$4,994	-3.8%

- There are four deficiency appropriations totaling \$12.8 million for fiscal 2007. The majority of this amount is for the expansion of the public safety death benefit and increased grants paid to the counties from State-collected 9-1-1 surcharges.
- The nearly \$5 million, or 3.8% decrease in the fiscal 2008 allowance masks an actual growth of \$9.0 million, or 7.7% within the Office of the Secretary. This is largely the effect of a decrease in health insurance costs due to one-time savings from Section 40 of the fiscal 2007 budget bill.
- The actual 7.7% growth can be attributed to increases in contractual services for training; reimbursements to local authorities and counties from sex offender legislation and 9-1-1 fees; funding for the Public Safety Death Benefit; and additional information technology programming, technical services, and fingerprint scanning equipment.

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

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Personnel Data

	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 07-08</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	492.00	523.00	521.50	-1.50
Contractual FTEs	<u>81.19</u>	<u>97.11</u>	<u>94.07</u>	<u>-3.04</u>
Total Personnel	573.19	620.11	615.57	-4.54

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	18.20	3.49%
Positions Vacant as of 12/31/06	44.0	8.41%

- The allowance abolishes 1.5 data processing positions which had been vacant for more than two years.
- 3.04 contractual positions are abolished in the Information Technology and Communications Division due to the completion of a National Criminal History Improvement Program grant.

Analysis in Brief

Issues

Inmate Medical Contract: In June 2005 the Department of Public Safety and Correctional Services entered into a new inmate medical contract. After one full year of implementation, the fiscal 2008 allowance includes almost \$133 million to fund the contract, a 21% increase over the original estimate given when the department first entered into the contract and a 16.5% increase over the fiscal 2007 working appropriation. **The Department of Legislative Services recommends that the department consider re-bidding its utilization management contract. The department should comment on what oversight is provided to ensure that funds are not being misspent; discuss what measures are in place to facilitate cooperation and open discussion among the varying healthcare providers; and comment on how it calculates its estimates for the inmate medical contracts.**

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Increase turnover expectancy to better reflect historical vacancy trends.	\$ 320,436	
2. Delete funds associated with the Professional Development Training Division.	1,008,205	8.0
3. Add language restricting funds allocated to the Office of Treatment Services for a study of inmate medical services.		
4. Delete one position (056477) which has been vacant for over 12 months.	54,522	1.0
5. Adopt narrative directing the Department of Public Safety and Correctional Services to consider not exercising its one-year renewal option with Wexford Health Source, Inc., the utilization management contractor for the inmate medical contract, and to explore the possibility of re-bidding the contract to provide more effective services.		
Total Reductions	\$ 1,383,163	9.0

Updates

Deaths in Correctional Facilities: Concern over the number of inmate deaths in the State's correctional facilities has resulted in the submission of quarterly reports detailing the number and cause of inmate deaths.

Inmate Welfare Funds: The committees requested a report on how Inmate Welfare Funds are being expended.

9-1-1 Call Centers Technology Upgrade: The department has submitted a report reviewing the plan for upgrading the 9-1-1 call center to Internet Protocol-capable technology.

Q00A00
Office of the Secretary
Department of Public Safety and Correctional Services

Operating Budget Analysis

Program Description

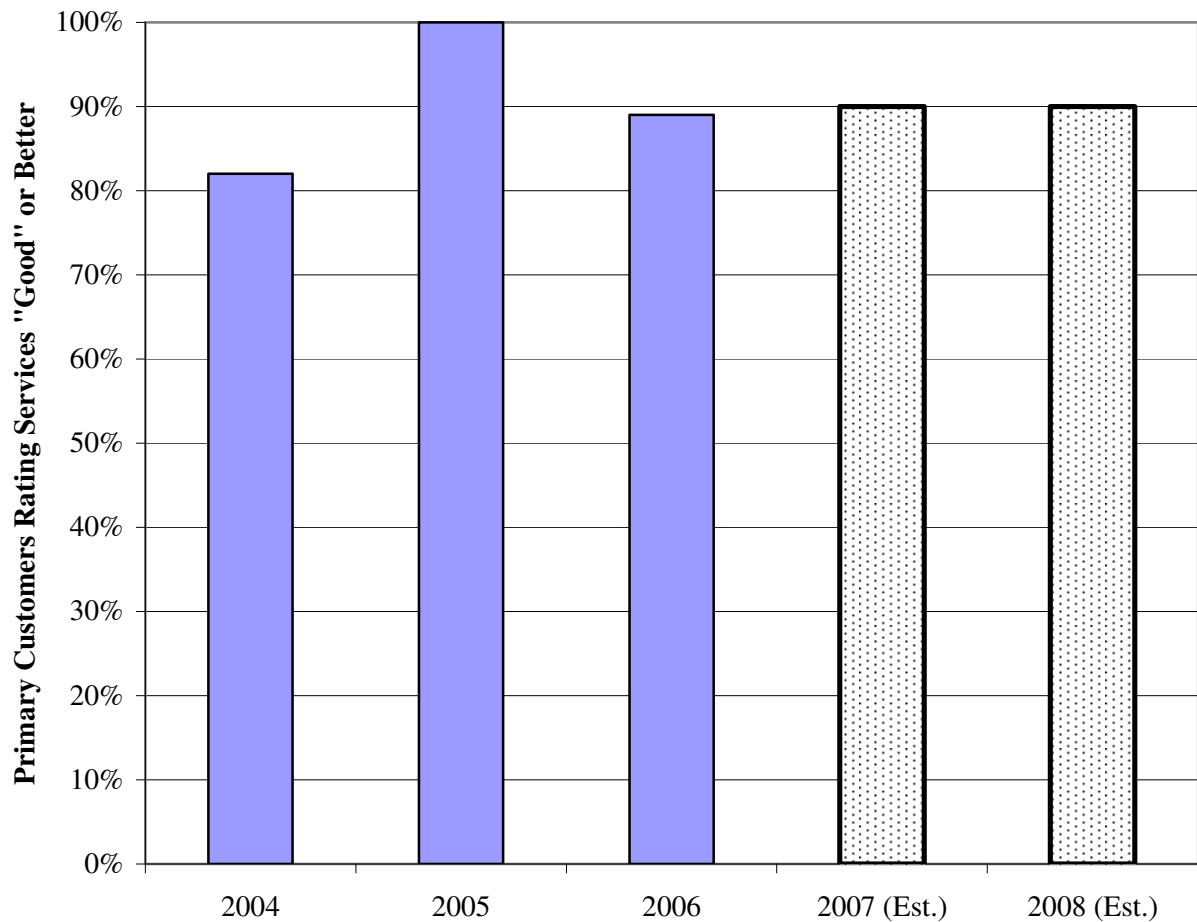
The Office of the Secretary provides overall policy and operational direction and coordination for the activities of the operating units of the department. It establishes policy, sets priorities, and provides central support services and oversight for the constituent agencies. The office administers the State's emergency numbers program and plans, develops, and implements the capital program for the department's custody facilities. Additionally, it is responsible for maintaining the Criminal Justice Information System which State, local, and federal law enforcement rely on for accurate and timely information. The Office of Treatment Services is responsible for the provision of treatment to offenders under the control and custody of the department. This includes oversight of all medical, mental, social work, and substance abuse treatment services, in addition to administration of the Patuxent Institution.

Performance Analysis: Managing for Results

The Internal Investigative Unit (IIU) is a law enforcement agency within the Office of the Secretary that manages administrative and criminal investigations within the Department of Public Safety and Correctional Services (DPSCS). The unit receives the complaints, assigns the investigators, monitors the progress of the investigations, and ensures quality of services. One of the objectives of the IIU is to ensure efficient and effective operation of the agency, by ensuring at least 90% of the Internal Investigative Unit's primary customers surveyed rate the overall quality of the investigative services provided as "good" or better by the end of fiscal 2006 and every year after. As **Exhibit 1** demonstrates, the agency was able to achieve this goal in fiscal 2005 and remains fairly on target with a 89% customer satisfaction survey rating in fiscal 2006. However, the agency notes that these results are based on a poor survey return rate of only 36%, causing the accuracy of these results to be doubtful. **The IIU should be prepared to discuss ways of improving the low survey response rate in an effort to provide more valid data assessing the quality of services.**

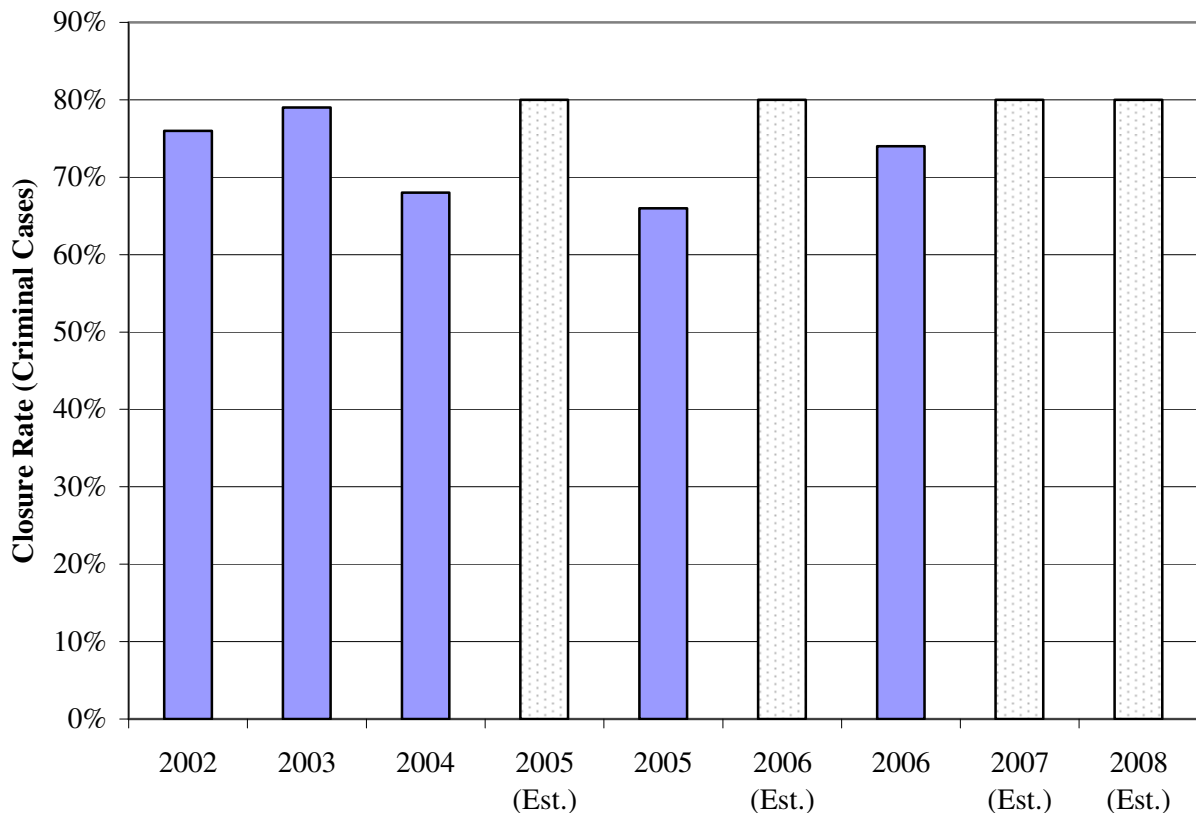
In addition to a high customer satisfaction rating, the IIU judges its efficiency and effectiveness by its ability to achieve a closure rate for criminal cases of 80% or greater in fiscal 2005 and every year after. As seen in **Exhibit 2**, the agency has yet to achieve this goal. Fiscal 2004 and 2005 saw criminal closure rates dip below 70%. The IIU was able to improve to 74% for fiscal 2006, yet was still below its target. The agency identifies high vacancy rates, the loss of experienced personnel, and the consumption of resources by high profile cases as reasons for not achieving its targeted closure rate. **The IIU should be prepared to discuss what measures it is taking to address current vacancies, which it cites as having an impact on caseloads and hindering the achievement of its targeted closure rate.**

Exhibit 1
Internal Investigation Unit
Quality of Services Survey Results
Fiscal 2004-2008



Source: Department of Public Safety and Correctional Services

Exhibit 2
Internal Investigation Unit
Closure Rate for Criminal Cases
Fiscal 2002-2008



Source: Department of Public Safety and Correctional Services

The Office of the Secretary made a number of changes to its Managing for Results objectives for fiscal 2008. The 9-1-1 Emergency Number System Board (ENSB) retired its Safe Communities and Good Management goals after achieving the ability to have all landline and wireless phone numbers available to emergency number operators and creating an electronic process for all grant applications. These goals are being replaced with a new Safe Communities goal and two new objectives to improve the quality and consistency of the emergency response information taken by 9-1-1 operators. Additionally, the Office of Treatment Services has retired its reporting of the number of suicide deaths within State prison facilities, given that the State's reported number has consistently been below the national average. A new measure is being added to gauge the effectiveness of the provision of health services by the inmate medical contract providers.

Fiscal 2007 Actions

Proposed Deficiency

The Office of the Secretary has a total of four deficiency appropriations totaling \$12.8 million for fiscal 2007. Of this amount, \$6.4 million is general funds. The largest of the general fund deficiencies, \$5.3 million, is for the expansion of the public safety death benefit to members of the U.S. uniformed services who are killed in Afghanistan or Iraq. The legislation is retroactive to include members killed prior to 2006. This deficiency includes benefits for 55 individuals and estimates an average of 8 deaths per year. The other general fund deficiencies include \$1.1 million for the continued replacement of information technology equipment and \$38,168 for the purchase of a replacement vehicle for investigations by the IIU. There is one special fund deficiency appropriation, totaling \$6.4 million, for increased pass-through funds from the 9-1-1 surcharge collected by the State for the counties.

Governor's Proposed Budget

As shown in **Exhibit 3**, the Governor's fiscal 2008 allowance decreases approximately \$5.0 million, or 3.8% from the fiscal 2007 working appropriation. A \$14.0 million decrease in salaries and wages occurs as a result of Section 40 in the fiscal 2007 budget bill, which required the surplus in the health insurance account to be used to support pension enhancements and a larger salary increase for State employees. This decrease accounts for the entire department, not just the Office of the Secretary. Absent this, however, the agency sees growth of approximately 7.7%, and salaries and wages increase \$1.9 million, or 3.9%.

Significant changes in expenditures occur within the General Administration component, the Information Technology and Communications Division, the 9-1-1 ENSB, and the Office of Treatment Services. The Internal Investigation Unit and Division of Capital Construction and Facilities Maintenance combined, account for approximately 1.5% of the total change within the Office of the Secretary. The Major Information Technology Development Projects include no funding in the fiscal 2008 allowance.

General Administration

Expenditures in the General Administration Division decreased by \$10.5 million, or 31.9%. Absent the impact of the health insurance, however, actual General Administration spending increased by 12.3%, or \$2.7 million, all general funds. The largest part of the increase – approximately \$1.5 million – is due to 2006 legislation pertaining to the Public Safety Death Benefit. The legislation increased the death benefit from \$55,000 to \$125,000 and extended the benefit to Maryland veterans who are killed in Iraq and Afghanistan during the current military action in those countries. The other large increase is \$886,000 for reimbursements to local law enforcement units as a result of sexual offender legislation passed during the 2006 special session. The remaining amount is attributable to increases in the Professional Development Training Division, which recently took over administration of the entry-level correctional officer training program.

Exhibit 3
Governor's Proposed Budget
Office of the Secretary
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2007 Working Appropriation	\$69,432	\$58,795	\$1,320	\$1,875	\$131,422
2008 Governor's Allowance	<u>60,298</u>	<u>63,867</u>	<u>940</u>	<u>1,322</u>	<u>126,428</u>
Amount Change	-\$9,133	\$5,072	-\$380	-\$553	-\$4,994
Percent Change	-13.2%	8.6%	-28.8%	-29.5%	-3.8%
Where It Goes:					
Personnel Expenses					
Abolished/transferred positions					-\$82
Increments					692
Retirement					523
Health insurance costs decline due to one-time savings					-14,014
Turnover adjustments					402
Other fringe benefit adjustments					135
Contractual Services					
Elimination of Mainframe Project Maintenance due to software updates.....					-1,329
Programming and technical services for Criminal Justice Information Sharing Project					574
Reimbursements to local law enforcement agencies resulting from new sexual offender legislation					886
Professional Development and Training Division.....					94
Management Study of the Inmate Medical Contract					500
Other Changes					
Increased 9-1-1 pass-through funding to counties.....					4,500
Public Safety Death Benefit expansion					1,490
LiveScan fingerprinting equipment					750
Special payments payroll.....					-110
Other					-5
Total					-\$4,994

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

Information Technology and Communications Division

The allowance for the Information Technology and Communications Division (ITCD) only increases by \$155,000. However, this masks a significant number of changes. The elimination of a continuing contract to provide ongoing maintenance to the mainframe reduces expenditures by \$1.3 million since the software was updated recently, and the services will no longer be required. Offsetting this reduction are a \$574,000 increase in the contract with the University of Maryland for programming and technical services for the Criminal Justice Information Sharing Project and \$750,000 for the purchase of LiveScan fingerprinting equipment. The remaining difference is the result of increases in personnel expenses and a reduction in contractual payroll.

9-1-1 Emergency Number System Board

The 9-1-1 ENSB experiences an 8.6%, or \$4.5 million increase in the fiscal 2008 allowance. This is solely the result of a \$4.5 million special fund increase for payments by the ENSB for the distribution of the county portion of the 9-1-1 fee that is collected by the State on behalf of the counties.

Office of Treatment Services

The Office of Treatment Services experiences growth of 15.4%, or \$669,000. A management study examining the effectiveness of the department's current inmate medical services system accounts for \$500,000 of this increase. This study is to be funded with Inmate Welfare Funds. The remaining increase is due to growth in personnel expenses, such as employee increments, retirement, and lower budgeted turnover.

Issues

1. Inmate Medical Contract

In fiscal 2006, DPSCS entered into a new inmate medical contract. After one full year of implementation, the fiscal 2008 allowance includes almost \$133 million to fund the contract, a 21.0% increase over the original estimate given when the department first entered into the contract and a 16.5% increase over the fiscal 2007 working appropriation.

The base contracts began in June 2005 and are for a term of two years plus one month. These original contracts will expire on June 30, 2007. The State has the sole option to exercise up to three additional one-year renewals, and the department intends to apply the first renewal for all six contracts.

Contract Administration

The department administers inmate medical health services through five vendors managing six service modules: medical, dental, mental health, pharmacy, electronic patient health records, and utilization management. All vendors have prior experience with providing medical services in a correctional setting.

Payment to the medical provider, dental provider, and mental health provider occur through reimbursements based on time and materials. Time sheets for employees are submitted and the department pays only for hours worked. Supplies and equipment purchases must be approved and are then reimbursed. On site Agency Contract Operations Monitors ensure the need for supplies and equipment. This arrangement allows the department to control costs associated with these contracts. For instance, time sheets allow for better personnel cost estimates, and new equipment purchases can be deferred based on available funding.

The utilization management provider is responsible for ensuring that inmates receive timely, appropriate, and coordinated health care, maximizing the utility of clinical services. This contractor is also responsible for pre-certifying hospital and infirmary admissions, specialty and diagnostics and imaging services, as well as surgical procedures. There is a flat fee paid to the utilization management provider. Hospital bills and secondary care bills incurred for the treatment of inmates are paid on an “as incurred” basis through reimbursement to the utilization management provider. A percentage of the flat fee is withheld as incentive for moderating secondary care utilization.

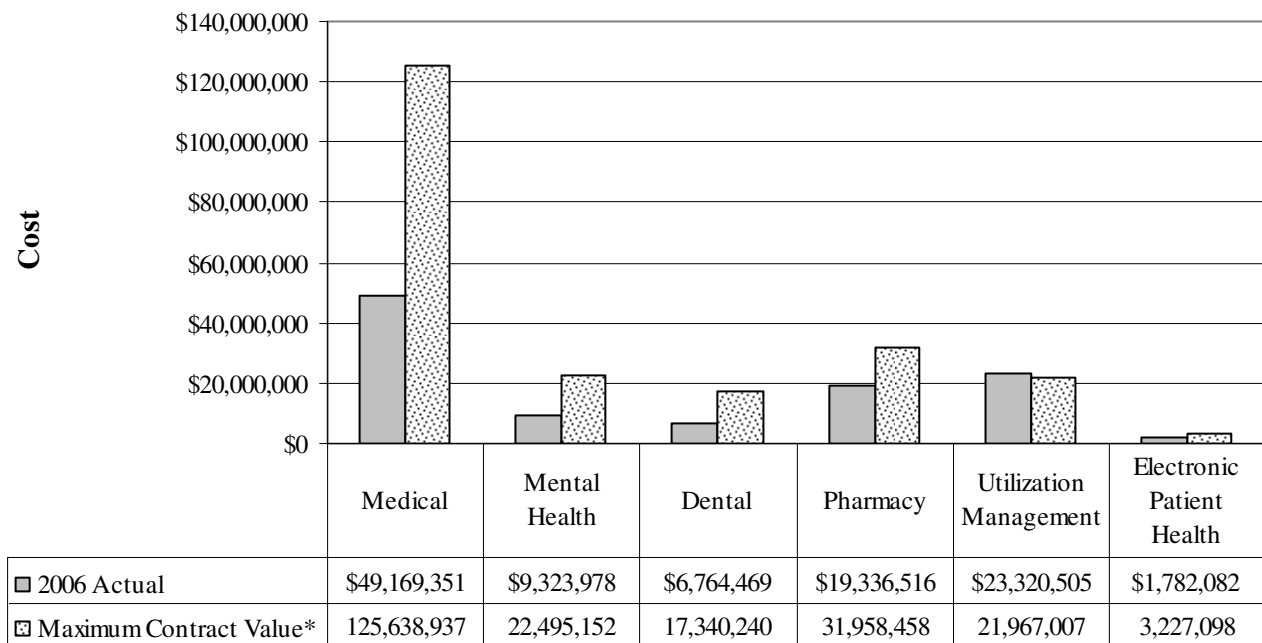
According to the department, however, Utilization Management review reveals that secondary care services being provided are almost always necessary and appropriate. According to the contractor, there are a very small number of emergency room visits which may have been avoidable, thus limiting the ability of the department to limit these costs. **The Department of Legislative Services (DLS) recommends that the department consider not exercising its one-year renewal option with Wexford Health Sources, Inc. and re-bidding its utilization management contract**

for fiscal 2008 to a company who will provide more attention to limiting growth of secondary care and exercising more caution during the approval process.

There is also a flat fee paid to the pharmacy provider for services. The cost of pharmaceuticals is reimbursed on an invoiced “as incurred” basis. The cost of pharmaceuticals is capped at the lesser of Medicaid rates or 12% less than the average wholesale price.

The primary variables in spending are the secondary care and pharmacy costs and have thus been the driving factors behind the continued escalation of inmate medical services. The department continues to provide inaccurate estimates of these costs and a number of deficiency appropriations have been required to support these contracts. As demonstrated in **Exhibit 4**, the secondary and hospitalization costs associated with the utilization management contract exceeded the estimated two-year value after the first year. The total spent in fiscal 2006 was approximately \$1.4 million more than the total value of the contract. At the current rate of spending, the pharmacy contract would also exceed its total estimated value after the two-year period by approximately \$6.7 million.

Exhibit 4
Inmate Medical Costs
Fiscal 2006 Spending vs. Total Contract Value



*Estimated two-year value.

Source: Department of Public Safety and Correctional Services

In addition, the oversight of the administration and approval process for the pharmacy and secondary care costs is not clear. **The department should be prepared to comment on what oversight is provided to ensure that funds are not being misspent; specifically, addressing the procedures, guidelines, and cost effective performance assessments for approving these expenses. The department should also be prepared to discuss what measures are in place to facilitate cooperation and open discussion among the varying healthcare providers so as to ensure proper coordination and efficiency of services.**

Contract Escalation

Exhibit 5 summarizes the expenditures for the inmate medical contracts since their inception in fiscal 2006. Since start-up, estimates of the actual costs of the contracts have been undervalued. Deficiency appropriations, in addition to increases in the allowance, have been required for both fiscal 2006 and 2007 in order to bring the legislative appropriations in line with the actual expenditures.

Exhibit 5 Inmate Medical Contract Appropriations Fiscal 2006-2008 (\$ in Thousands)

	Legislative Approp. <u>2006</u>	Deficiency Approp. <u>2006</u>	Actual <u>2006</u>	Legislative Approp. <u>2007</u>	Deficiency Approp. <u>2007</u>	Total <u>2007</u>	Allowance <u>2008</u>	Change <u>2007-08</u>	% Change <u>2007-08</u>
DOC	\$63,948	\$18,000	\$87,031	\$90,921	\$18,653	\$109,574	\$110,248	\$675	0.6%
Patuxent	2,195	0	3,518	3,183	630	3,813	3,853	40	1.0%
DPDS	18,856	0	19,148	15,996	3,218	19,213	18,743	-470	-2.4%
Total	\$84,999	\$18,000	\$109,697	\$110,100	\$22,500	\$132,600	\$132,844	\$244	0.2%

DOC: Department of Correction

DPDS: Division of Pretrial and Detention Services

Source: Department of Public Safety and Correctional Services

In testimony to the budget committees prior to 2006, the department estimated that inmate medical services would require an expenditure of approximately \$105 million. Since the prior contract was a flat rate contract with little reimbursement, the department had no reliable data upon which to base its estimates. Therefore, the Governor's allowance for fiscal 2006 was approximately \$85 million. Once the Request for Proposal process was completed and the contracts initiated for fiscal 2006, the accuracy of the original estimation was confirmed and a deficiency appropriation was submitted for approximately \$18 million. An additional supplemental appropriation of \$6.1 million was required because of faulty estimations for pharmacy and secondary care. The actual costs of the

medical contracts for fiscal 2006 totaled approximately \$110 million, or 6.8% over the original estimation and 29.4% more than the legislative appropriation.

The fiscal 2007 working appropriation of \$111 million reflects the escalation experienced during the first year of implementation. However, continued miscalculation of pharmacy and secondary care services, in addition to staffing levels at 90% filled instead of 60%, have again led to a deficiency situation. Fiscal 2007 deficiency appropriations for the inmate medical contract total \$22.5 million, approximately 42% of all fiscal 2007 deficiencies for the department and a 20% increase over the fiscal 2007 working appropriation. This brings the fiscal 2007 inmate medical contract total to \$133 million. This is a 29.1% increase over the estimate given when the contract was originally approved.

Additional drivers for cost differences between the previous contract and the current contracts are the increase in services provided for inmates with Hepatitis C, HIV/AIDS, and dialysis treatment needs. According to the department, refinement of the impact of these drivers is causing there to be continued adjustment upward. **Exhibit 6** demonstrates the number of inmates receiving treatment and the associated cost of medication only for November 2006. Based on these amounts, the yearly costs associated with these diseases cost approximately \$9.6 million for medication alone. Full costs associated with Hepatitis C remain unknown as treatment has not yet reached anticipated levels.

Exhibit 6
Treatment Costs for HIV, Hepatitis, and Dialysis
November 2006

<u>Condition</u>	<u>Number of Patients Receiving Treatment</u>	<u>Costs (Medication Only)</u>
HIV	524	\$700,000
Hepatitis C	12	31,000
Dialysis	38	67,900

Source: Department of Public Safety and Correctional Services

The fiscal 2008 allowance includes \$133 million for inmate medical costs. This is a \$244,000 increase over fiscal 2007, including the deficiency appropriations. Given the history of the medical contracts, it is likely the allowance is underfunded. **The department should be prepared to comment on how it calculates its estimates for the inmate medical contracts, specifically pharmacy and secondary care, and how much in additional funds will be needed to fully fund inmate healthcare services in fiscal 2008.**

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Based on significant cost escalation since fiscal 2006, \$500,000 has been included in the allowance for the Office of Treatment Services in the Office of the Secretary for a management study to evaluate the department's current delivery of inmate medical services. The study is an independent examination to identify best practices for delivery of services, cost reduction, and limitation of growth. This study is being funded through Inmate Welfare Funds. **DLS recommends that DPSCS develop an outline of this assessment and timeline for the \$500,000 management study. This report should also include guidelines for the appropriate use of secondary care; measures for evaluating efficiency and cost effectiveness of all inmate medical services; and a fiscal and operational comparison of Maryland's inmate healthcare system to the comparable system in Pennsylvania and other states with comparable inmate populations.**

Recommended Actions

- | | <u>Amount
Reduction</u> | | <u>Position
Reduction</u> |
|--|------------------------------------|----|--------------------------------------|
| 1. Increase turnover expectancy to better reflect historical vacancy trends. This increases the turnover rate from 3.49 to 4.49%. This reduction shall be allocated among the divisions. | \$ 320,436 | GF | |
| 2. Delete funds associated with the Professional Development Training Division within the Office of the Secretary. The services available through this program are redundant to services already provided by the Police and Correctional Training Commissions. | 1,008,205 | GF | 8.0 |
| 3. Add the following language to the general fund appropriation: | | | |

, provided that the department may not expend \$500,000 in the Office of Treatment Services for a management study of inmate medical services until it submits a report providing an outline and timeline for the study. The report shall also contain an outline for the development of best practices for the provision of services; guidelines for the appropriate use of secondary care; measures for evaluating efficiency and effectiveness of inmate medical services; and a fiscal and operational comparison of Maryland's inmate medical healthcare system to the comparable system in Pennsylvania and other states with comparable inmate populations. The report shall be submitted no later than November 1, 2007. The budget committees shall have 45 days to review and comment on the report.

Explanation: The fiscal 2008 allowance includes funding for the study of the provision of inmate medical services, given the significant cost escalation of the current contract. In addition, previous information submitted by the department has cited Pennsylvania as having a similar inmate healthcare model and experiencing significant cost savings. However, Maryland's per capita inmate healthcare cost is one of the highest in the nation. This language restricts the funds from being spent until the department submits a detailed report outlining the study's goals and a timeline for its completion, in addition to including a comparison of Maryland to states with other comparable inmate healthcare models.

Information Request	Author	Due Date
Inmate Medical Services Study Outline and Assessment	DPSCS	November 1, 2007

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		<u>Amount Reduction</u>		<u>Position Reduction</u>
4.	Delete one regular position (056477) which has been vacant for over 12 months.	54,522	GF	1.0
5.	Adopt the following narrative:			
	Reassessment of the Utilization Management Contract: It is the intent of the budget committees that the department considers not exercising its one-year renewal option with Wexford Health Sources, Inc., its utilization management contractor responsible for the approval of all inmate hospitalizations and secondary care. Concern exists that the current contractor is not exercising enough stringency in its approval of secondary care and hospitalizations. It is the intent of the committees that the department examines the possibility of re-bidding the contract for fiscal 2008 to a company who will focus more on limiting growth of secondary care expenses and exercise more caution during the approval process.			
Total General Fund Reductions		\$ 1,383,163		9.0

Updates

1. Deaths in Correctional Facilities

During the 2006 session, the committees restricted \$100,000 until the department provided a detailed report about deaths in the correctional institutions for fiscal 2006. The committees also requested that follow-up reports be submitted each time a new death occurs.

According to the report, there were a total 68 deaths of individuals in correctional institutions in fiscal 2006. The largest number of those deaths was due to natural- or illness-related causes (67.6%). There were a total of 9 suicides, 5 alcohol/drug intoxications, 3 homicides, 1 execution, 1 unknown-ruled out suicide, and 2 unknown-ruled out natural/illness. Of the 68 deaths, 8 inmates had Hepatitis B, 17 had Hepatitis C, and 10 had HIV. The highest number of deaths occurred during the month of December 2005 with a total of 8 deaths.

After submission of the first report, the committees agreed that the department could submit inmate death reports on a quarterly basis due to the time and effort it takes to compile the data for each death that occurs in the correctional institutions, mostly due to the number of deaths that occur due to illness. The committees subsequently approved the release of funds. The inmate death data continues to be reviewed as reports are submitted.

2. Inmate Welfare Funds

During the 2006 session, the committees requested a report providing information on the sources and uses of Inmate Welfare Funds, in addition to examples of how other states manage and use similar funds.

Sources and Uses of Inmate Welfare Funds

The Maryland Annotated Code establishes a special continuing nonlapsing Inmate Welfare Fund within each State correctional facility. The statute specifies that each fund must receive revenue from three sources: commissary sales, telephone and vending machine commissions, and money received from other sources. General funds are prohibited from being transferred to the Inmate Welfare Funds. The balance of the Inmate Welfare Fund as of June 30, 2006, was \$4,882,107. Revenue from fiscal 2006 exceeds expenditures by only approximately \$300,000.

Exhibit 7 identifies all sources of Inmate Welfare Fund revenue for fiscal 2006. The department collected a total of \$20.9 million for the fund. Commissary sales accounted for 67.4% of all revenue.

**Exhibit 7
Inmate Welfare Fund
Fiscal 2006**

	<u>Total</u>	<u>% of Total</u>
Revenue		
Commissary Sales	\$14,094,250	67.4%
Telephone Commissions	6,312,884	30.2%
Vending Commissions	304,933	1.5%
Other Miscellaneous	186,742	0.9%
Total Revenue	\$20,898,809	100.0%
Expenditures		
Commissary Goods for Resale	\$12,559,099	60.8%
Medical Services (Contract Monitoring)	2,117,058	10.3%
Chaplaincy	1,416,574	6.9%
Educational Services	974,691	4.7%
Inmate Grievance Office	574,780	2.8%
Indigent Inmate Welfare Packages	542,368	2.6%
Repair and Replacement of Property	485,219	2.4%
Legal Services for Inmates	355,033	1.7%
Athletic and Recreational Expenditures	317,890	1.5%
Entertainment Expenditures	311,982	1.5%
Addictions Treatment Services	110,135	0.5%
Other	877,456	4.3%
Total Expenditures	\$20,642,285	100.0%

Source: Department of Public Safety and Correctional Services

Exhibit 7 also shows all Inmate Welfare Fund expenditures. During fiscal 2006, there were \$20.6 million in Inmate Welfare Fund expenditures. The purchase of commissary goods for resale constituted the largest portion of Inmate Welfare Fund expenditures, accounting for 61%, or \$12.6 million. Additional significant expenditures include funding for personnel within the Office of Treatment Service for oversight of the inmate medical contract, chaplains to service the inmate population, educational contracts with the Maryland State Department of Education for educational services, and the entire budget for the Inmate Grievance Office.

Examples from Other States

The department surveyed five states (Virginia, West Virginia, Pennsylvania, New Jersey, and Kentucky) to determine how other states manage and use similar funds. The states were compared based on who maintains the fund, how revenue is generated, expenditures, and oversight.

With regard to maintenance of the fund, three of the five states operated their funds from within the Division of Correction in similar fashion to Maryland. New Jersey operates its Inmate Welfare Fund through a private Board of Trustees. Kentucky maintains its fund as a nonprofit corporation.

Two methods of revenue generation differed from Maryland. First, in addition to other methods similar to Maryland, West Virginia receives revenue for its Inmate Welfare Fund through confiscated funds considered associated with contraband. Second, New Jersey received revenue from interest generated from inmate bank accounts. Beyond this, sources of revenue generation were, for the most part, similar to that of Maryland. All five states generated revenue for their Inmate Welfare Funds through commissary operations, although three states privatized these operations. Virginia, West Virginia, and Pennsylvania also received revenue from inmate telephone contracts, while West Virginia and Pennsylvania also profited from vending commissions.

Uses of the Inmate Welfare Fund revenue were very similar to Maryland. In four of the five states there were no identifiable differences in Inmate Welfare Fund expenditures. The only differing use was West Virginia's use of the funds to support an inmate family and victim information notification system, in addition to other uses in line with that of Maryland.

Oversight of Inmate Welfare Funds varied among all five states and varied from that of Maryland, although all funds were required in some form to submit to audits and reports. The most unique format of oversight was the state of Kentucky, which operates its Inmate Welfare Fund as a nonprofit corporation. Oversight is provided through the corporation's board, with the Division of Correction Commissioner serving as president of the board. An independent certified public accountant conducts annual audits, and the fund submits annual reports. Virginia submits monthly reports to the budget director within the Division of Correction and receives periodic audits from the state. West Virginia's state code dictates random audits by the state's Department of Budget and Management. Pennsylvania receives oversight through its Auditor's General Office for the State and must submit annual reports. New Jersey has three levels of oversight: internal oversight through its Division of Correction and oversight through the Bureau of Accounting and Procurement in addition to the Bureau of Auditing.

3. 9-1-1 Call Centers Technology Upgrade

In June 2005, the Emergency Number Systems Board reached one of its major Managing for Results goals and became the eighth state in the nation to implement wireless Phase II technology on a statewide basis. This allows 9-1-1 centers to process location information from wireless callers in an accurate and timely manner. The next step in enhancing the 9-1-1 system is to allow the use of

text messaging, picture, or even video data when sending, processing, and receiving information. Currently, Maryland's 9-1-1 system is not capable of handling information other than voice data.

During the 2006 session, the committees directed the ENSB to continue enhancement of the State's 9-1-1 system and develop a plan for upgrading the 9-1-1 call centers to Internet Protocol-capable technology, also referred to as Next Generation 9-1-1 (NG 9-1-1). The report submitted by the board's consultant in December 2006 characterizes NG 9-1-1 technologies, examines Maryland's current NG 9-1-1 system readiness, identifies projected implementation and recurring maintenance costs, and outlines a timeline for implementation.

In order to upgrade to Internet Protocol (IP) based broadband connectivity, Maryland would first have to establish an independent Public Safety IP Network, which would ensure the security and integrity of the emergency information. Backup systems and equipment would have to be built, in addition to the inclusion of secondary call centers in the network, so that in the event of a disaster, a quick recovery and the continued sharing of emergency information can be ensured. In addition, while current call center equipment is IP capable, the software remains to be developed. The primary vendors for this type of software have said they will not be making new developments until national standards are established. The board will use this delay to upgrade current equipment in preparation for NG 9-1-1 technology. However, the report does state that the current 9-1-1 system as a whole remains responsive to present needs and is not expected to be replaced until the appropriate NG 9-1-1 standards have been established.

With regard to the timeline for implementation, the report identifies an approximate six-year timeline to fully implement NG 9-1-1 in Maryland; however, this is contingent on the adoption of regulations and standards, followed by the industry's announcement of compliant equipment and software. The report does not see the need for an immediate increase in the State portion of the 9-1-1 surcharge. Anticipated costs for the NG 9-1-1 project would include (1) planning the network; (2) purchasing and installing network equipment; and (3) the ongoing maintenance of the NG 9-1-1 network. The report maintains that the estimated costs associated with these phases through the initial recurring maintenance can be met with current 9-1-1 fees. Once the long-term maintenance costs are determined, the report suggests re-examining the "county additional fee" portion of the 9-1-1 surcharge.

Current and Prior Year Budgets

Current and Prior Year Budgets Office of the Secretary (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2006					
Legislative Appropriation	\$53,460	\$57,855	\$514	\$1,694	\$113,523
Deficiency Appropriation	1,580	4,400	200	0	6,180
Budget Amendments	-2,614	2,720	997	5,583	6,686
Reversions and Cancellations	0	-940	-445	-2,870	-4,255
Actual Expenditures	\$52,426	\$64,035	\$1,266	\$4,407	\$122,134
Fiscal 2007					
Legislative Appropriation	\$68,840	\$58,762	\$472	\$1,875	\$129,949
Budget Amendments	591	33	848	0	1,472
Working Appropriation	\$69,431	\$58,795	\$1,320	\$1,875	\$131,421

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

Fiscal 2006

General fund spending for fiscal 2006 was approximately \$52.4 million. This was a decrease of approximately \$1.0 million from the legislative appropriation.

- A \$1.6 million deficiency appropriation was used to pay interest to the former inmate medical contractor on a contract settlement mandated by the Court of Appeals.
- Budget amendments reduced the legislative appropriation by approximately \$2.6 million. This change was largely due to a nearly \$3.0 million decrease in order to realign funds in the department with actual expenditures and a \$215,000 decrease for the realignment of funds within the department to meet actual employee and retiree healthcare benefit expenditures. The Office of the Secretary received approximately \$304,000 as part of the cost-of-living adjustment (COLA) amendment.

Special fund spending for fiscal 2006 was approximately \$64.0 million, an increase of approximately \$6.2 million over the legislative appropriation.

- Deficiency appropriations totaled approximately \$4.4 million, with the majority, approximately \$3.6 million, being used for payments to the counties from the 9-1-1 surcharge. An additional \$800,000 used fees collected from criminal history checks above the original budgeted amount to fund temporary clerical support.
- Budget amendments increased the appropriation by approximately \$2.7 million. The Major Information Technology (IT) Development Projects received an approximately \$2.6 million increase to fund infrastructure stabilization, the National Crime Information Center (NCIC) 2000, and Network LiveScan. An additional amendment for \$62,000 provided Inmate Welfare Funds for the provision of staff monitoring of the inmate medical contract and an increase in the contract with Prisoner Rights of Maryland for legal services.
- Approximately \$940,000 of special funds was cancelled. Of that, approximately \$677,000 was from unused appropriations for the Major IT Development Projects. These funds were carried forward for continuation of the NCIC 2000 and Network LiveScan projects in fiscal 2007. Unused appropriations in the ITCD due to underattainment of revenue, primarily from criminal record checks, totaled \$242,000. The initial special fund appropriation included \$825,000 from network billings and \$1.95 million for criminal record checks. An additional \$800,000 for criminal record checks was added in a deficiency appropriation. Actual collections for criminal record checks totaled about \$2.5 million.

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Federal fund spending for fiscal 2006 was approximately \$1.3 million, an increase of approximately \$752,000 over the legislative appropriation.

- A \$200,000 deficiency appropriation was used toward the completion of the National Criminal History Improvement Program (NCHIP), which ended in June 2006.
- Budget amendments increased the appropriation by approximately \$997,000. Approximately \$972,000 of that was for the implementation of the Maryland National Criminal History Improvement program. The remaining \$25,000 provided instructor training to implement the Offender Workforce Development Specialist grant.
- The Office of the Secretary cancelled approximately \$445,000 in federal funds related to the National Criminal History Improvement grants within the Information Technology and Communications Division.

Reimbursable fund expenditures totaled approximately \$4.4 million for fiscal 2006.

- Budget amendments increased the appropriation by approximately \$5.6 million. These amendments reflected funds budgeted for various IT projects in the department.
- The department cancelled approximately \$2.9 million in unused appropriations for various IT projects.

Fiscal 2007

The general fund working appropriation for fiscal 2007 is approximately \$69.4 million. This includes \$591,000 in budget amendments for the COLA and funding for correctional officer reclassifications and related salary adjustments as a result of the annual salary review, in addition to a reallocation of funds from the Comprehensive Salary Study.

The fiscal 2007 federal fund working appropriation is approximately \$1.3 million. This includes a budget amendment for \$848,000 for the Information Technology and Communication Division. These funds are from grants through the U.S. Department of Justice for the NCHIP and the establishment of a system to automate manual, paper systems currently used in the Internal Investigative Unit and Equal Employment Office for investigations of sexual assault and misconduct.

**Object/Fund Difference Report
DPSCS – Office of the Secretary**

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	492.00	523.00	521.50	-1.50	-0.3%
02 Contractual	81.19	97.11	94.07	-3.04	-3.1%
Total Positions	573.19	620.11	615.57	-4.54	-0.7%
Objects					
01 Salaries and Wages	\$ 32,102,175	\$ 48,054,226	\$ 35,709,917	-\$ 12,344,309	-25.7%
02 Technical and Spec Fees	2,992,095	2,671,653	2,570,812	-100,841	-3.8%
03 Communication	2,429,360	1,951,305	2,087,737	136,432	7.0%
04 Travel	313,991	202,629	262,484	59,855	29.5%
06 Fuel and Utilities	85,979	82,300	95,831	13,531	16.4%
07 Motor Vehicles	268,430	437,591	362,769	-74,822	-17.1%
08 Contractual Services	18,051,164	16,761,986	17,995,432	1,233,446	7.4%
09 Supplies and Materials	2,097,997	1,225,600	1,132,300	-93,300	-7.6%
10 Equipment - Replacement	797,736	2,706,023	2,873,697	167,674	6.2%
11 Equipment - Additional	4,428,962	2,022,084	1,787,491	-234,593	-11.6%
12 Grants, Subsidies, and Contributions	56,983,913	53,275,290	59,265,290	5,990,000	11.2%
13 Fixed Charges	1,581,897	2,031,156	2,284,271	253,115	12.5%
Total Objects	\$ 122,133,699	\$ 131,421,843	\$ 126,428,031	-\$ 4,993,812	-3.8%
Funds					
01 General Fund	\$ 52,425,727	\$ 69,431,588	\$ 60,298,499	-\$ 9,133,089	-13.2%
03 Special Fund	64,034,569	58,795,347	63,867,335	5,071,988	8.6%
05 Federal Fund	1,265,828	1,320,370	940,318	-380,052	-28.8%
09 Reimbursable Fund	4,407,575	1,874,538	1,321,879	-552,659	-29.5%
Total Funds	\$ 122,133,699	\$ 131,421,843	\$ 126,428,031	-\$ 4,993,812	-3.8%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

Fiscal Summary
DPSCS – Office of the Secretary

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
01 General Administration	\$ 19,084,789	\$ 32,796,688	\$ 22,323,139	-\$ 10,473,549	-31.9%
02 Information Technology and Communications Division	34,165,037	37,574,049	37,729,119	155,070	0.4%
03 Internal Investigation Unit	1,683,183	1,962,291	2,039,932	77,641	4.0%
04 9-1-1 Emergency Number Systems	56,477,419	52,889,216	57,421,742	4,532,526	8.6%
06 Division of Capital Construction and Facilities Maintenance	1,958,106	1,869,497	1,915,083	45,586	2.4%
07 Major Information Technology Development Projects	4,717,527	0	0	0	0%
08 Office of Treatment Services	4,047,638	4,330,102	4,999,016	668,914	15.4%
Total Expenditures	\$ 122,133,699	\$ 131,421,843	\$ 126,428,031	-\$ 4,993,812	-3.8%
General Fund	\$ 52,425,727	\$ 69,431,588	\$ 60,298,499	-\$ 9,133,089	-13.2%
Special Fund	64,034,569	58,795,347	63,867,335	5,071,988	8.6%
Federal Fund	1,265,828	1,320,370	940,318	-380,052	-28.8%
Total Appropriations	\$ 117,726,124	\$ 129,547,305	\$ 125,106,152	-\$ 4,441,153	-3.4%
Reimbursable Fund	\$ 4,407,575	\$ 1,874,538	\$ 1,321,879	-\$ 552,659	-29.5%
Total Funds	\$ 122,133,699	\$ 131,421,843	\$ 126,428,031	-\$ 4,993,812	-3.8%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.