

Analysis
Department of Corrections
2013 Reductions Report

Analyst: Linda Gilbert

Request: Acknowledge receipt of a report on managing the 2013-15 budget deficit and allocate \$40,997,810 General Fund to the Department of Corrections for operations and health care, administration, community corrections, and capital improvements.

Recommendation: Acknowledge receipt of the report on managing the 2013-15 budget deficit and defer the funding request for consideration with other statewide rebalance issues in the 2014 omnibus budget reconciliation bill, with the understanding that the Department may return to the legislative body for further funding discussions.

Analysis: A budget note in HB 5008, the 2013 budget reconciliation bill, directed the Department to address unspecified reductions in its General Fund budget without closing facilities or laying off staff to achieve the budget savings. The Department was further directed to report on its progress to the Joint Committee on Ways and Means during the 2014 session.

The Department's budget status can be summarized as follows:

		\$ Millions
2013-15 General Fund Base Budget	\$	1,474.9
Unspecified Adjustments:		
Statewide Administrative Savings	\$	(2.8)
Vacancies in Operations Division		(10.0)
Public Safety Reduction Target		(27.7)
5% Services & Supplies		(11.4)
2% Ending balance holdback		(26.1)
Legislatively Adopted Budget	\$	1,397.0

The total biennium spending projection, based on five months of actual expenditures, is \$90.1 million more than the legislatively adopted budget. Five months is on the lower end of sufficient experience to make a solid two-year spending projection, but gives an early warning. An additional concern is that the Department is receiving more offenders than there are budgeted beds.

The deficit would be larger but for actions the Department has implemented. These include aggressive 30-day transition management, using certain positions to reduce overtime expense, sustainability practices, and earned time credit modifications. These changes are expected to avoid \$18.9 million in costs over the biennium.

Other ideas included consolidating all minimum security offenders in one facility, changing how overtime is bid, centralizing fleet and legal counsel, reducing some health services, eliminating non-mandated programs, privatizing some services, instituting inmate co-pays, fees, or assessments, and eliminating in-service training. Most of these options are not likely to avoid much in costs, at least in the current biennium. Some options are not allowed due to bargained policies and legal constraints. Others would lead to layoffs, the costs of which in the current biennium can erode the associated savings.

For the Department to continue to operate without layoffs or facility closures in the biennium, options are distribution of the Department's share of the special purpose appropriation made to the Emergency Board for state worker compensation issues, restoration of the 2% supplemental ending balance holdback, realization of the \$19.7 million expected cost avoidance associated with HB 3194 (2013), and an additional appropriation of about \$15 million. The Department is requesting a total of just under \$41 million.

Of note is full support for Community Corrections. The first year has been fully funded. There is, however, insufficient funding for the second year. Underfunding this appropriation can lead to potential opt-outs by counties. If Community Corrections funding is not restored during the 2014 legislative session, it could be addressed at the May 2014 meeting of the Emergency Board.

The Legislative Fiscal Office recognizes the need for additional funding for the Department, but recommends delaying consideration. Several factors influence the recommendation to delay:

- likely distribution of the state worker compensation special purpose appropriation during the 2014 session,
- further consideration of 2% restorations once the next revenue forecast is presented, and,
- lack of immediate need.

The Department typically returns to an Emergency Board meeting or to the odd-year legislative session with an agency-wide rebalance that will show needs based on a longer period of offender management and spending experience.

The Legislative Fiscal Office recommends acknowledging receipt of the report and that the funding request be considered with other statewide rebalance issues in the 2014 omnibus budget reconciliation bill, with the understanding that the Department may return to the legislative body for further funding discussions.