

Department of Corrections

	2011-13 Actuals	2013-15 Leg. Approved*	2015-17 CSL LFO	2015-17 Governor's
General Fund	1,359,596,909	1,448,294,183	1,564,005,330	1,549,047,785
Other Funds	29,873,109	42,945,385	35,186,893	62,806,459
Other Funds Non-Limited	346,773,770	673,991	-	-
Federal Funds	7,892,138	7,369,007	5,587,424	5,710,107
Federal Funds Non-Limited	1,232,825	1,262,826	1,119,495	1,119,495
Total Funds	1,745,368,751	1,500,545,392	1,605,899,142	1,618,683,846
Positions	4,513	4,488	4,482	4,497
FTE	4,415.74	4,441.68	4,441.58	4,456.58

* includes Emergency Board and administrative actions through December 2014

Program Description

The Department of Corrections (DOC) has two primary functions – the operation of prisons and the state responsibility for the community corrections system. The Department operates 14 institutions for the incarceration of adult and certain juvenile felons sentenced to prison for more than twelve months. The 2013-15 Legislatively Approved Budget was the first to be based on the sentencing reform in HB 3194, which was to reduce and flatten the prison population. The community corrections system is based on SB 1145 (1995), which transferred management of offenders sentenced or sanctioned to prison for 12 months or less, and all felony offenders under community supervision, to the counties. Funds are provided to counties for the costs of supervising these offenders.

CSL Summary and Issues

1. The General Fund CSL is 9%, or \$115.7 million, greater than the 2013-15 Legislatively Approved Budget (LAB). Total Funds CSL is a 7%, \$105 million, increase over 2013-15. The LAB in the display above does not include the \$30 million General Fund appropriation included in Senate Bill 5543, the 2013-15 rebalance bill approved by the Joint Committee on Ways and Means on March 6, 2015. Using the updated LAB, the 2015-17 CSL is an increase of 6% General Fund and 5% Total Funds.

2. Community Corrections mandated caseload adjustment is \$24.2 million General Fund. While the forecast shows an increase of only 400 beds over a base of 32,518, the mix of security levels has changed as a result of HB 3194. Specifically, the demand for local control beds increases, and some inmates that would have gone to prison before the passage of HB 3194, will instead be in community corrections. These inmates are a higher security risk than the average caseload.
3. Operations Division mandated caseload adjustment is \$0.3 million to fund emergency beds brought online in 2013-15 to accommodate unexpected population growth.
4. Health Services Division extraordinary inflation totals \$10 million General Fund, including 6.6% for medical services, 7.5% for behavioral health, and 23.3% for pharmacy, in addition to 3% standard inflation and 1.7% above standard inflation for medical inflation.
5. Health Services has a one-time fund shift to reverse substituting \$2.1 million in State Criminal Alien Assistance Program Federal Funds in 2013-15 for General Fund.
6. State Government Service Charges increase by \$7.7 million General Fund, which includes a reduction in risk charges of \$2.4 million.
7. The Vacancy Savings adjustment is \$27.2 million General Fund.

Policy Issues

1. Facilities planning and operations cost. A shortage of General Fund during and following the recession that began in 2007 caused the Department to meet increasing prison population demand by adding less expensive emergency beds to facilities already in use, rather than building new capacity. The cost savings from using emergency beds come from requiring correctional officers to oversee greater numbers of inmates, eliminating the need to add new officers, and from not needing to open new facilities. Presently, the department has used up virtually all its potential emergency space – 964 beds. This intensive facilities use has increased the officers' stress levels.

The availability of an unopened 1,223-bed medium security facility at Deer Ridge Correctional Institution near Madras provides an opportunity for substantial General Fund savings by temporarily mothballing four minimum security facilities and transferring those inmates to Deer Ridge. This move would require modifying the medium security facility to operate as a minimum facility. This option presents challenges for the employees of the prisons that close. It would, however, relieve the use of emergency beds and reduce stress levels for the correctional officers that would work at Deer Ridge.

Based on the preliminary April 2015 prison population forecast, the Department would need to start reopening these four facilities in the ten-year window.

2. House Bill 3194 (2013) made changes to the criminal justice system in Oregon to reduce the General Fund cost of incarceration. The measure reduced penalties for some marijuana crimes, driving while suspended or revoked, Identity Theft, and Robbery III; expanded maximum transitional leave from 30 to 90 days; limited prison sanction durations for violating post-prison supervision conditions; and reduced supervision terms in jail or on probation for certain offenders. The fiscal impact projected the 2015-17 avoided General Fund expense at \$70 million. These averted costs are to flow through the Criminal Justice Commission (CJC) as grants to counties for efforts and treatment to reduce recidivism and crime commission. The CJC 2015-17 Governor's budget assumes a revised avoided General Fund expense estimate of \$58.5 million. The success of the measure in reducing costs lies primarily with charging and sentencing authorities outside the Department's control. The Department controls only transitional leave expansion.
3. Staff wellness/overtime. As noted above, the use of emergency beds has increased correctional officers' stress levels, which in turn affects their health. Studies by OHSU and PSU revealed that Oregon's corrections employees have a high rate of post-traumatic stress disorder, use of tobacco and alcohol, health problems, doctor visits, and work absences. Additionally, as a result of keeping costs down, the Department has a relatively low number of positions, resulting in mandatory overtime. In 2013-15, the overtime budget is \$15.5 million, and the biennium projection for actual overtime expenditures is \$26.2 million, \$10.7 million above budget.

The Department requested a staff wellness policy package that would add 100 positions needed for specific duty posts in order to provide 24/7 coverage during weekends, holidays, sick days, bargained leaves, vacations, jury duty, emergencies, and other leave. Additionally, this package included a position for staff wellness coordination across the Department. The staff wellness package, which is based on a staffing review conducted by the Association of State Correctional Administrators, would reduce overtime expenditures and related stress at a cost of \$17.2 million General Fund.

4. Inmate health care is a significant portion of the department's General Fund budget, 14.8% in the 2015-17 CSL. Costs are expected to rise over time as the average general population age rises.
 - A significant cost driver is new Hepatitis C drug therapy. Current Service Level includes \$7.3 million to pay for additional Hepatitis C treatment up to and including Sovaldi (sofosbuvir), for an estimated 144 cases. A more expensive treatment is tentatively expected in the spring of 2015. Several months ago, the Department projected that using that level of treatment could cost an additional \$10 million. Current thinking, however, is that the date could slip, the price could be different, and the funding in hand will be adequate.
 - Transition to electronic health records would allow better inmate health management with records management staff able to be redirected to other duties. As has been seen in Medicaid-driven mandatory electronic records use, however,

transitioning is neither easy nor quick. The Governor's budget includes \$3.3 million General Fund to convert the existing inmate health records to an electronic records system.

- In 2013, the Legislature created a work group to look at rising health care costs within DOC, and recommend legislation to implement the group's relevant findings. The group completed its work in October 2014, recommending legislation to enable suspension rather than termination of Medicaid eligibility when offenders enter DOC. Other recommendations were policy packages to convert health records from paper to electronic format and to ensure an inmate's prison-to-community healthcare connection. Still other recommendations can be implemented internally, as resources become available. Examples are nutritional review, exercise programs, another look at early parole release, and health incentive programs.
5. Deferred maintenance. The Department has an estimated \$68 million backlog of deferred maintenance projects. It owns 325 buildings with more than 5.4 million square feet. The Department is requesting bonding authority of \$14.2 million and associated General Fund debt service for the highest priority projects. The Governor's budget funds this request.
 6. PREA. Compliance with the federal Prison Rape Elimination Act (PREA) requires DOC resources. Federal audits are now underway to measure Oregon's program implementation. A policy package in the Agency Request Budget in support of PREA compliance requested nearly \$15 million General Fund to purchase metal detector chairs, portable metal detectors, and TSA-style body scanners to eliminate pat-down searches.

Other Significant Issues and Background

1. General Fund is around 96% of the Department's budget, and forced reductions in times of revenue constraints are a major concern for the Department. In addition to driving increased staff overtime, reductions to education, mental health, and addictions programs affect an inmate's success in transitioning to and living in the community. General Fund reductions to the inmate work programs reduce opportunities for inmates to learn skills and receive recognition, and in turn reduce Other Funds generated by inmates' work.
2. The Department requested 18 policy option packages, including those mentioned in the previous section of this document, totaling \$51.9 million General Fund, \$74.8 million Total Funds, and 161.46 FTE. Five packages relate to inmate and staff health care and wellness; 6 address staffing needs; and 6 are information technology-related. The last package is debt service to support bond proceeds for three of the requested packages. Six packages require no General Fund, either by redirecting internal resources or because they are bond-financed.
3. The Corrections Information System, a legacy COBOL application, needs to be replaced. The agency has packages for General Fund and bond proceeds to begin the conversion.

4. In 2013's HB 5008, a budget note directed the Department of Corrections to manage unspecified reductions in its budget without layoffs or facilities closures. The Department was directed to report back to Ways and Means on its plan during the February 2014 Legislative Session. The Department complied, and requested restoration of the 2% reduction made to provide a statewide ending balance in 2013. The \$26 million restoration was approved.

Co-Chairs' Budget Framework Discussion

No specific budget details or issues were identified in the Co-Chairs' budget framework for this agency.