

DEPARTMENT OF CORRECTIONS
FY2017 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT
February 26, 2016

SUBCOMMITTEE MEMBERS:

Rep. Bryce Edgmon, Chair	Rep. Herron	Rep. Hughes
Rep. Keller	Rep. Lynn	Rep. Drummond
Rep. Tarr		

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Department of Corrections submits a recommended operating budget for FY2017 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$270,007.9
Designated General Funds (DGF)	26,694.4
Other Funds	14,358.3
Federal Funds	7,494.9
Total	\$318,555.5

The Unrestricted General Fund (UGF) difference from FY16 Management Plan to the House Subcommittee budget recommendation is a reduction of \$7,278.6, a 2.6% reduction from the FY16 Management Plan.

These reductions are in addition to the \$20,367.9 UGF budget reductions that were taken last year.

From FY15 Management Plan to this Subcommittee's recommendation for FY17, the UGF in Corrections has been reduced by \$27,646.5 or 9.3%.

Positions:

Permanent Full-time	1871
Permanent Part-time	0
Temporary	0
Total	1871

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Corrections held **six** meetings with the Department. The Subcommittee reviewed the FY2017 budget request and took the following actions:

Accepted the Governor's amended proposal, which includes these highlights:

- **Health & Rehabilitation Services – Physical Health Care, Reduce Healthcare Costs Due to Medicaid Expansion - (\$6,000.0) 1004 GF**
With the expansion of Medicaid, more medical providers will be able to bill Medicaid for extended hospital stays for Medicaid eligible inmates.
- **Health & Rehabilitation Services – Physical Health Care, Replace Estimated Reduction of Permanent Fund Dividend Criminal Funds - \$593.5 1004 GF (\$593.5) 1171 PFD Crim**
The FY17 amount of PFD Criminal Funds available for appropriation has decreased as the number of felons and misdemeanants ineligible to receive a dividend has decreased.
- **Agency Unallocated Appropriation – Agency Unallocated, Reverse Unallocated Reduction - \$2,450.1 1004 GF**
Legislative intent stated that individual employees would continue to be paid at FY16 levels while agencies would absorb the UGF portion of any Cost of Living Allowance (COLA) increases for FY17. The Subcommittee's recommendations on how to absorb those costs are contained in the remainder of this narrative.
- **Population Management – Anchorage Correctional Center, Replace Federal Receipts for Anticipated Federal Manday Bed Receipts - \$2,000.0 1002 Fed Rcpts (\$2,000.0) 1004 GF (Accepted as part of unallocated reduction)**
The department will be able to use more federal receipts for prisoners due to an increased number of federal holds. This transaction simply swaps out UGF for the increased amount of federal dollars available for use.

Additional Subcommittee Action

- 1. Population Management, Institution Director's Office, Delete Funding for Public Information Activities – (\$127.4) 1004 GF (Applied to unallocated reduction)**

Deletes funding for public information activities as a portion of the department's unallocated reduction. These activities will have to be absorbed within their FY17 budget.

- 2. Population Management, Anchorage Correctional Complex, Transition More Offenders from Institutions to Community Supervision – (\$322.7) 1004 GF (Applied to unallocated reduction)**

Deletes funding for the Anchorage Correctional Complex. The subcommittee feels the department can absorb this cut by prioritizing the classification of prisoners that are eligible and can safely be placed in Community Residential Centers (CRC) or placed on Electronic Monitoring. This also will encourage the department to fully utilize the contracts they have in place with CRC's. This represents the remainder of the department's unallocated reduction.

- 3. Population Management, Prison System Expansion, Delete Allocation – (\$295.0) 1004 GF, (\$119.5) 1061 CIP Rcpts**

With all of the efforts in the legislature and the department pointing towards reducing our prison population rather than planning on building new prison facilities, this allocation is no longer necessary.

ITEMS OF INTEREST:

The Subcommittee asks the full Finance committee to consider a statute change whereby the department could only pay hospitals at the Medicaid rate for outpatient treatment for inmates. Health care costs for certain medical treatment continues to be an area of concern for the department.

The Subcommittee urges the department to fully utilize the beds contracted at CRC's whenever reasonable and safe. Future costs will only go down if we are able to reduce prison population to the point where we can close down prison facilities.

ATTACHED REPORTS:

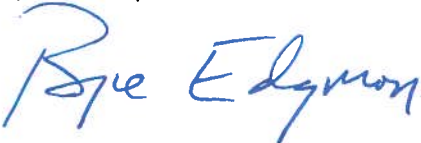
The House Finance Budget Subcommittee for the Department of Corrections adopts the attached reports:

2016 Legislative Finance Division Reports – House Structure

1. Agency Totals – FY2017 Operating Budget
2. Allocation Summary (All Funds)
3. Allocation Summary (GF Only)
4. Transaction Compare between Adjusted Base (17Adj Base) and House Subcommittee (H Sub)
5. Transaction Compare between Governor Amended (Gov Amd) and House Subcommittee (H Sub)
6. Wordage Report – FY2017 Operating Budget

The Budget Action Worksheet is attached for informational purposes.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bryce Edgmon". The signature is written in a cursive, flowing style.

Representative Bryce Edgmon, Chair
House Finance Budget Subcommittee for the Department of Corrections

Department of Corrections
FY2015 to FY2016 Comparison

<u>Fund Type</u>	<u>FY2015</u> <u>Mgt Plan</u>	<u>FY2016</u> <u>Enacted</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Unrestricted General Fund	\$297,654.4	\$277,286.5	-\$20,367.9	-6.8%
Designated General Fund	\$15,226.8	\$27,287.9	\$12,061.1	79.2%
Other	\$14,725.5	\$14,477.8	-\$247.7	-1.7%
Federal	<u>\$5,433.8</u>	<u>\$5,481.8</u>	<u>\$48.0</u>	<u>0.9%</u>
Total	\$333,040.5	\$324,534.0	-\$8,506.5	-2.6%

<u>Budgeted Positions</u>	<u>FY2015</u> <u>Mgt Plan</u>	<u>FY2016</u> <u>Enacted</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Permanent Full-Time	1,871	1,871	0	0.0%

<u>Filled Positions</u>	<u>Dec 2014</u> <u>Employees</u>	<u>July 2015</u> <u>Employees</u>	<u>Difference</u>	<u>Percent</u> <u>Difference</u>
Permanent Full-Time	1,784	1,754	-30	-1.7%
Permanent Part-Time	0	0	0	0.0%
Non-Permanent	<u>34</u>	<u>41</u>	<u>7</u>	<u>20.6%</u>
Total	1,818	1,795	-23	-1.3%

Notable Changes

DOC's budget is 85% UGF and funds 12 correctional facilities (including inmate healthcare), 15 regional and community jails, and probation services. A large portion of the UGF reduction (\$12,384.5) in FY2016 was a fund source change from UGF to permanent fund dividend criminal funds (an amount that would have been paid to individuals if not ineligible due to felony). This change is reflected in physical healthcare.

- Palmer Correctional Center.** The department has begun ramping down the Palmer Correctional Center and plans to review and begin staging all minimum custody offenders. These offenders will be transitioned to a Community Residential Center, an Electronic Monitoring (EM) Program, or early parole by the fourth quarter of FY2016. Shifting the minimum custody population to Alaskan communities in a responsible manner will allow hard beds to be utilized for the medium- to high-risk offender population. In addition, video hearings are being implemented to reduce the high number of costly transports to and from court hearings for the pre-trial offender population. Further reductions will likely mean closing one or two correctional facilities and transporting prisoners out of state.

- **Physical Healthcare** is reduced by \$1.5 million in anticipation of Medicaid expansion. The Department of Health and Social Services and Department of Law and the Department of Corrections have worked cooperatively to amend regulation 7 AAC 105.110(6) to allow the inmate population to be eligible to receive Medicaid.

The Department of Corrections provides essential medical care to offenders in custody as required by statute. Healthcare costs and personnel have continued to grow to a budget exceeding \$37 million with more than 139 employees and contract providers.

- **Regional and Community Jails program** is reduced by \$3,486.6 (33.2%). The Regional and Community Jails Program provides short-term confinement of unsentenced persons detained under state law. These jails provide 157 beds to the department for the holding of newly arrested offenders charged with a state offense until they can be transported by the Alaska State Troopers to the nearest state correctional facility.

The program supports the core operating functions of the jails as well as the salaries and benefits of certain positions which provide direct support to the community jails program. In addition, a 15% administrative overhead or indirect cost is included to the base budget provided by the community and accepted by the department. These communities will need to identify alternative sources to fund these areas.

Reducing these contracts will generate the need for earlier transports by the Alaska State Troopers to the nearest state facility or may result in increased emergency guard services under the Department of Public Safety. In some communities, this reduction could mean jail closure and negative impacts to local law enforcement efforts.