

**Agency Budget Comparison**

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	1,279.89	1,279.89	1,309.89	1,309.89	1,279.89	1,309.89	30.00	2.34%
Personal Services	69,859,396	70,643,147	73,437,426	74,294,282	140,502,543	147,731,708	7,229,165	5.15%
Operating Expenses	99,536,893	98,970,190	109,379,576	111,748,553	198,507,083	221,128,129	22,621,046	11.40%
Equipment & Intangible Assets	100,851	81,681	376,851	141,551	182,532	518,402	335,870	184.01%
Benefits & Claims	2,330,087	2,940,542	2,330,087	2,330,087	5,270,629	4,660,174	(610,455)	(11.58%)
Transfers	3,526,709	2,916,469	3,519,259	3,515,659	6,443,178	7,034,918	591,740	9.18%
Debt Service	86,479	86,651	262,329	262,329	173,130	524,658	351,528	203.04%
<b>Total Costs</b>	<b>\$175,440,415</b>	<b>\$175,638,680</b>	<b>\$189,305,528</b>	<b>\$192,292,461</b>	<b>\$351,079,095</b>	<b>\$381,597,989</b>	<b>\$30,518,894</b>	<b>8.69%</b>
General Fund	170,077,589	170,089,157	183,035,457	186,022,149	340,166,746	369,057,606	28,890,860	8.49%
State Special	4,714,007	4,788,037	5,452,076	5,452,165	9,502,044	10,904,241	1,402,197	14.76%
Federal Special	16,005	25,739	16,005	16,005	41,744	32,010	(9,734)	(23.32%)
Other	632,814	735,747	801,990	802,142	1,368,561	1,604,132	235,571	17.21%
<b>Total Funds</b>	<b>\$175,440,415</b>	<b>\$175,638,680</b>	<b>\$189,305,528</b>	<b>\$192,292,461</b>	<b>\$351,079,095</b>	<b>\$381,597,989</b>	<b>\$30,518,894</b>	<b>8.69%</b>

**Mission Statement**

*Mission* - The Montana Department of Corrections enhances public safety, promotes positive change in offender behavior, reintegrates offenders into the community, and supports victims of crime.

For additional information, please refer to the agency profile.

## Agency Highlights

<b>Department of Corrections Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Major factors contributing to the proposed funding increases are: <ul style="list-style-type: none"> <li>• Projected increase in total populations of 1% per year with female secure care populations growing the most at an average rate of 4.4% per year</li> <li>• Medical costs growing about 10% per year, which caused the executive to move funds from FY 2013 to FY 2012 to address the shortfall and contributed to the FY 2013 requested supplemental</li> <li>• Increases for providers and state employee career ladders</li> </ul> </li> <li>◆ The executive proposes to address the changes by: <ul style="list-style-type: none"> <li>• Annualizing contract beds to the full contracted level</li> <li>• Increasing female prerelease and transitional living beds</li> <li>• Using the remodeled Montana Mental Health Nursing Care Center in Lewistown to house inmates needing staff assistance for their daily care. This initiative began in FY 2013 and will free up space in the Montana State Prison to accommodate growth</li> <li>• Expanding the department's re-entry initiative, which is designed to enhance re-entry of offenders back into communities and subsequently reduce recidivism</li> </ul> </li> <li>◆ The Governor also proposes to add 30.00 FTE: <ul style="list-style-type: none"> <li>• 6.00 FTE to support the agency's re-entry initiative</li> <li>• 1.00 FTE attorney to address increasing legal workloads</li> <li>• 9.00 FTE for correctional relief factors at Montana State Prison and Montana Women's Prison</li> <li>• 7.00 FTE to replace the previously contracted health services function for the Montana Women's Prison</li> <li>• 5.00 FTE to provide security for inmates being moved to the Montana Mental Health Nursing Care Center in Lewistown under a contract with the Department of Public Health and Human Services</li> <li>• 2.00 FTE for the vocational education program</li> </ul> </li> </ul>
<b>Legislative Action Issues</b>
<ul style="list-style-type: none"> <li>◆ The department entered into a contract with the Department of Public Health and Human Services to receive services at the Montana Mental Health Nursing Care Center in Lewistown. The legislature has options for addressing the population of inmates needing assistance with daily personal needs</li> <li>◆ A portion of the funding to add FTE is one-time-only</li> <li>◆ A request for overtime for probation and parole is double the highest historical level since FY 2000</li> <li>◆ Fees for the license plate factory are not commensurate with costs</li> <li>◆ Revenue projections for the vocational education proprietary fund and the MSP institutional industries fund are questionable</li> </ul>

## Agency Discussion

### *Agency Summary*

The Department of Corrections (DOC) is charged with efficiently utilizing state resources to develop and maintain comprehensive adult and youth corrections services. The primary responsibility of DOC is to house and/or provide services to adults and youth who are sentenced to DOC or one of the facilities it operates. DOC is also responsible for juvenile parole and adult probation and parole functions. However, juvenile probation services are part of the District Court Operations Program within the Judicial Branch.

The Department of Corrections provides services through the operation of state institutions, with state employees (such as probation and parole) and the purchase of incarceration and other services (such as community-based residential programs) via contracts with local governments and private not-for-profit and for-profit businesses throughout the state. The agency strives to place 80% of offenders under its supervision in community-based programs and 20% in secure facilities. The executive request maintains this 80/20 balance.

When compared to the 2013 biennium, the 2015 biennium budget is 8.7% (\$30.5 million) total funds higher. General fund increases 8.5% (\$28.9 million) during the same time period. This budget increase is driven by requests for increased funding to: 1) address medical cost growth; 2) annualize the funding for contracted beds, 3) fund a contract with the Department of Health and Human Services to house 25 inmates needing assistance providing for their daily personal needs; 4) provide provider rate increases for contracted providers; 5) fund the correctional officer career ladder; and 6) add 10 pre-release transitional living slots and 15 prerelease beds for women.

Costs and changes to those costs of the department are generally driven by several factors:

- Average daily population projections
- The level of supervision and/or treatment required and the availability of space in the appropriate settings
- Costs of contracts and state personnel
- Medical costs

### *Average Daily Population Projections*

When offenders are sentenced to either a facility or to the supervision of the department it assumes responsibility for placement of the offender within a facility most appropriate to that offender. Because the main mission of the department is to eventually return the offender back to the community as a law-abiding citizen, the department must have adequate capacity to place the offender in the most appropriate facility to address the issue of the offender's criminality. The first part of the figure below shows the population projections of the department, yearly changes, and the capacities for broad categories of placement options currently available to the department. The executive has requested funding to address the capacity issues facing the agency, including:

- Re-entry Initiative
- Expansion of female pre-release and transitional living
- Housing secure assisted living inmates in the refurbished Montana Mental Health Nursing Home in Lewistown

The executive has also requested Long-Range Building Program funding to replace the low risk offender housing units at the Montana State Prison and in doing so would add 100 beds to the capacity of the male prison. However, the earliest a facility could be constructed and begin housing inmates is the middle of the 2017 biennium, so they would not be available for addressing any capacity shortages in the 2015 biennium.

Summary of Department of Corrections Population Projections to Capacity Average Daily Population (ADP)										
Segment	Actual FY 2012	FY 2013 Change From Previous Year			Department Projections FY 2014 Change From Previous Year			FY 2015 Change From Previous Year		
		Projection	Amount	Percentage	Projection	Amount	Percentage	Projection	Amount	Percentage
<b>Projections:</b>										
Male Prison	2,343	2,336	-7	-0.3%	2,372	36	1.5%	2,392	20	0.8%
Female Prison	203	200	-3	-1.5%	209	9	4.5%	218	9	4.3%
Alternatives to Prison	928	977	49	5.3%	1,011	34	3.5%	1,044	33	3.3%
Prerelease and Transitional Living	891	937	46	5.2%	950	13	1.4%	961	11	1.2%
Specialized Supervision Programs	343	426	83	24.2%	656	230	54.0%	656	0	0.0%
Probation and Parole	8,169	7,932	-237	-2.9%	7,728	-204	-2.6%	7,778	50	0.6%
<b>Total ADP</b>	<b>12,877</b>	<b>12,808</b>	<b>-69</b>	<b>-0.5%</b>	<b>12,926</b>	<b>118</b>	<b>0.9%</b>	<b>13,049</b>	<b>123</b>	<b>1.0%</b>
<b>Current Capacity:</b>										
Male Prison		2,379			2,383			2,383		
Female Prison		200			205			205		
Alternatives to Prison		968			982			982		
Prerelease and Transitional Living		945			945			945		
Specialized Supervision Programs		548			548			548		
Probation and Parole (at standard caseload)		7,848			7,848			7,848		
<b>Total Current Capacity</b>		<b>12,888</b>			<b>12,911</b>			<b>12,911</b>		
<b>Available Capacity:</b>										
Male Prison		43			11			-9		
Female Prison		0			-4			-13		
Alternatives to Prison		-9			-29			-62		
Prerelease and Transitional Living		8			-5			-16		
Specialized Supervision Programs		122			-108			-108		
Probation and Parole (at standard caseload)		-84			120			70		
<b>Total Available Capacity</b>		<b>80</b>			<b>-15</b>			<b>-138</b>		

The figure shows that during the 2015 biennium the department will see over capacity situations overall and in many of the placement options available to it.

### Agency's Re-entry Initiative

The agency has been working on an initiative to focus resources on efforts directed at re-entry of offenders back into their communities. The initiative is intended to reduce recidivism by enhancing re-entry in the community upon release from the agency's supervision. Reducing recidivism is intended to reduce future correctional system growth. Re-entry services include prerelease centers, drug treatment programs, vocational training, education, work programs, employment and housing assistance, and mentoring.

The impact of the re-entry initiative is to shift populations toward community-based programs such as treatment centers, pre-release, transitional living, and specialized supervision programs. Pre-release, transitional living, and specialized supervision programs are among the lowest cost placement programs while treatment centers for methamphetamines and alcohol are the highest cost.

The following decision packages include \$2.3 million and 6.00 FTE to fund requests associated with the agency's re-entry initiative:

- DP 201 – Re-entry Case Manager (Adult Community Corrections – Program 02), \$113,000 and 1.00 FTE
- DP 303 – Montana State Prison Re-entry Team (Secure Custody Facilities – Program 03), \$321,000 and 3.00 FTE
- DP 701 – Re-Entry IT FTE (Administration and Support Services – Program 01), \$272,000 and 2.00 FTE
- DP 206 – SCRAM GPS Units (Adult Community Corrections – Program 02), \$463,000
- DP 209 – Prerelease Transitional Living (Adult Community Corrections – Program 2), \$153,000
- DP 212 – Additional community corrections beds for women (Adult Community Corrections – Program 2), \$950,000

Male Secure Assisted Living Beds

Beginning in FY 2013, 25 inmates from the male prison will be moved to the Montana Mental Health Nursing Home in Lewistown under a contract with the Department of Public Health and Human Services. Movement of these 25 inmates will free up 35 beds at the male prison. The \$3.7 million funding request for these beds is in DP 320 – Lewistown Infirmary Beds in the Secure Custody Facilities program.

Agency Personal Services

The personal service budget for the 2015 biennium would increase over the base primarily due to the following factors and biennium amount:

- Requests to add 30.00 FTE, \$9.9 million
- Statewide present law adjustments net of applied vacancy savings (\$1.9 million) that are influenced by:
  - Achievement of 4.6% vacancy savings in FY 2012 when 4% was applied, \$0.8 million
  - Pay increases given to certain FTE for the following codes of the state human resources accounting system, \$2.2 million:
    - Career ladder (as a result of a case decided by the Montana Board of Personnel Appeals and discussed below), 497 adjustments averaging \$0.73 per hour
    - Competency, 8 adjustments averaging \$2.53 per hour
    - Market, 9 adjustments averaging \$3.89 per hour
    - Longevity, 156 adjustments averaging \$0.35 per hour
    - Performance, 5 adjustments averaging \$1.32 per hour
    - Reclassifications, 5 adjustments averaging \$1.91 per hour
    - Situational (net of 44 increases and 3 decreases when situational pay ended), 41 adjustments averaging \$0.91 per hour
    - Strategic, 2 adjustments averaging \$4.90 per hour
    - Training assignment progression, 2 adjustments averaging \$1.12 per hour
  - The removal of certain expenses from the base that must be presented in a decision package if they are to continue, including overtime, per diem, and retirement payouts, \$6.8 million

This agency has challenges filling various positions.

- For registered nurses, physicians, dentists and sex offender therapists and positions in the Pine Hills youth correctional facility in Miles City, it has had vacancies in several of these positions, and in correctional and probation and parole officer positions for an extended period during the base year
- The agency used vacancy savings to provide pay increases, primarily for career ladder adjustments, in the 2013 biennium for an average of all adjustments outside of longevity of \$0.84 per hour and costing \$198,000 in FY 2012. However, it did not target the positions furthest from market
  - Career ladder adjustments dominated the adjustments and were due to a decision made by the Montana Board of Personnel Appeals on an unfair labor practices case brought on behalf of unionized correctional officers (see below for a further discussion)
  - Other adjustments are listed above along with their associated average hourly increase with the majority made to retain key positions filled
- When compared to the 2012 market midpoint for similar positions in Montana and surrounding states, the overall agency market comparison is 87.1%

In addition, about 23.4% of the agency's FTE are eligible for full or early retirement in the 2015 biennium. The agency hasn't estimated how many it expects will actually retire, but has stated that several key management positions are expected to retire. The agency made \$863,000 in termination payouts during FY 2012 but has not requested funding for this purpose in the 2015 biennium.

2015 Biennium Budget Request for Career Ladder Funding

A case brought before the Montana Board of Personnel Appeals (MBPA) found in favor of unionized corrections officers of the agency that resulted in career ladder pay increases given during FY 2012. According to the decision, career ladder

schedules under a collective bargaining agreement must be given even after the end of the agreement while a successor agreement is being negotiated. In FY 2012, career ladder adjustments were given to 497 individuals for a total salary increase of \$96,000 in FY 2012. Since these adjustments were effective only part of the year, the full year equivalent would have been about \$878,000.

Because of this decision by the MBPA the executive is requesting funds for anticipated career ladder pay increases under the current collective bargaining agreement for correctional officers. The following decision packages include \$2.4 million to fund correctional officer career ladders in the 2015 biennium:

- DP 999 – Fund Career Ladder for Correctional Officers (Secure Custody Facilities – Program 03), \$1.6 million
- DP 999 – Fund Career Ladder for Correctional Officers (Youth Services – Program 05), \$0.8 million

#### *Other Agency Wide Decision Packages*

The executive budget for this agency includes one other request that is similar for multiple programs. The following multi-program theme is requested.

#### Annualize Contracted Beds

Several decision packages in the programs that contract with private entities for placement of offenders request to annualize funding for contracted services to fully utilize all contracted beds. The decision packages request the difference between what was spent for actual utilization during the base year and the funding needed for utilization at the full contracted level. The following decision packages request \$6.6 million to annualize contracted beds:

- DP 201 – Annualize Treatment Beds (Adult Community Corrections – Program 02), \$0.6 million
- DP 202 – Annualize Prerelease Beds (Adult Community Corrections – Program 02), \$3.2 million
- DP 203 – Annualize MASC Beds (Adult Community Corrections – Program 02), \$0.4 million
- DP 319 – Secure Care Contract Beds (Secure Custody Facilities – Program 03), \$2.4 million

#### *5% Reduction Plan*

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix. For this agency the 5% plan would reduce general fund by nearly \$8.5 million and state special revenue by \$235,700.

#### *IT Systems*

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

*Agency Goals and Objectives*

Goals and objectives for the agency can be found in the appendix.

*Long-range Planning*

The executive has included as its number one priority a request for Long-range Building Program funding of \$26.0 million to construct a building to house low-risk offenders at the Montana State Prison. This building would replace the existing low-side dormitories and add capacity of 100 beds. It would likely come online around FY 2017.

**Funding**

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Corrections Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$369,057,606	\$0	\$0	\$369,057,606	91.0%
State Special Total	10,904,241	-	706,163	11,610,404	2.9%
Federal Special Total	32,010	-	-	32,010	0.0%
Proprietary Total	1,604,132	23,341,291	-	24,945,423	6.1%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
<b>Total All Funds</b>	<b>\$381,597,989</b>	<b>\$23,341,291</b>	<b>\$706,163</b>	<b>\$405,645,443</b>	
Percent - Total All Sources	94.1%	5.8%	0.2%		

The department receives most of its funding from the general fund, with a small amount coming from state special revenue. The four largest state special revenue funds are:

- The canteen revolving fund, which receives revenue from the sale of items (such as personal hygiene items) to inmates
- Probation and parole supervision fees collected from offenders under the supervision of the department
- Pine Hills donations, interest, and income funds that come mostly from the collection of interest and income on school trust lands
- Juvenile placement costs of care that comes from payments made by parents and other responsible parties toward the costs of care of juveniles under the supervision of juvenile parole (Corrections) or juvenile probation (Judicial Branch)

The department receives a small amount of federal funds for the Youth Services program from the Title IV-E Foster Care and Adoption Program.

The remainder of the department's funding comes from proprietary funds such as license plate manufacturing and prison ranch operations.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	170,077,589	170,077,589	340,155,178	92.17%	175,440,415	175,440,415	350,880,830	91.95%
Statewide PL Adjustments	(903,265)	(857,204)	(1,760,469)	(0.48%)	(803,886)	(757,584)	(1,561,470)	(0.41%)
Other PL Adjustments	9,705,246	11,628,818	21,334,064	5.78%	10,510,302	12,433,874	22,944,176	6.01%
New Proposals	4,155,887	5,172,946	9,328,833	2.53%	4,158,697	5,175,756	9,334,453	2.45%
<b>Total Budget</b>	<b>\$183,035,457</b>	<b>\$186,022,149</b>	<b>\$369,057,606</b>		<b>\$189,305,528</b>	<b>\$192,292,461</b>	<b>\$381,597,989</b>	

### Supplemental Appropriation

The agency was given a biennial appropriation in the 2013 biennium to provide flexibility in its biennial funding levels. During FY 2012, the agency transferred funding it had originally assumed would be expended in FY 2013 to FY 2012 due to higher than anticipated expenditures in that year and to avoid a funding shortage. The major factors for the funding shortage were: 1) high cost growth in outside medical costs; and 2) low vacancy savings due to the predominance of positions that support 24x7 operations of secure custody facilities for adults and youth when 4% vacancy savings was applied. Using a portion of the funding allocated for FY 2013 in FY 2012 has reduced the total amount of funding available in FY 2013. In consequence the executive has requested supplemental funding of \$4.5 million general fund and \$0.5 million state special revenue in HB 3 (the supplemental appropriations bill) to address medical and pharmacy operating costs and vacancy savings the agency has not been able to mitigate at secure facilities.

In addition, the executive has requested funding to address the growth in outside medical costs in the 2015 biennium and recommended that the funding be restricted only for this use.