

Department of Correction

FY17 Plan to Operate within Available Budget

07/15/2016

In accordance with Secretary Barnes' Memo dated June 8, 2016, the following outlines how the Connecticut Department of Correction plans to operate within available resources for Fiscal Year 2017.

SID 10010 Personal Services

DOC expended \$444.4 million in personal services in FY15 and \$433.2 million in FY16, a reduction of \$11.2 million. Within the Personal Services account DOC expended \$80.1 million in overtime in FY15 and \$64.7 million in overtime in FY16, a reduction of \$15.4 million. These savings occurred prior to the agency's initiation of numerous structural changes implemented in an effort to meet deficit reduction requirements enacted in the last quarter of FY16. The agency's cost reduction efforts, which include the closing of units, the reduction of posts, the elimination of non-core services functions, staff redeployments and general staffing reductions will carry forward into the new fiscal year.

The FY17 Personal Services allocation of \$395,927,724 is, without question, challenging at best and will demand of the agency exceptional vigilance and budgetary control.

In April of 2016 the agency reduced its workforce by 187. DOC is confident that the annualization of savings accruing from the reduced workforce coupled with the following initiatives will allow it to operate within available resources:

- Elimination of existing position vacancies
- Annualization of realized staff attrition
- Savings accruing from projected additional staff attrition throughout the new fiscal year
- Elimination of posts
- Maximization of non-general fund sources for the funding of positions
- Continued efforts to contain and reduce overtime use

The agency currently projects a very modest surplus of \$16,990 in Personal Services for FY17 and is pleased to report that, at this time, no further layoffs appear necessary in order for the agency to operate within budget.

The agency understands the extremely fragile nature of this projected surplus figure and is diligently working on additional ways to reduce its Personal Services load. Barring any unforeseen events or new unplanned mandates or obligation the agency expects to fulfill its mission and obligations within available resources. Details regarding DOC's personal services projects is attached for your reference.

SID 10020 Other Expenses

Many of DOC's operating costs are fixed and/or non-discretionary. The reduction in the Other Expenses (OE) allocation poses numerous challenges to the agency. The agency expended \$74 million in FY16 and the OE allocation for FY17 is \$69 million. This represents a reduction of \$5 million. Despite the challenges this funding reduction poses, DOC is confident that, barring any unforeseen circumstances or extraordinary weather events, it will be able to operate within the constraints of its OE budget in the new fiscal year.

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In FY15 the agency expended \$78 million in OE and, as stated, approximately \$74 million in OE in FY16. Through the implementation of procurement restrictions and various saving initiatives, DOC was able to achieve a year over year reduction in OE expenditures of \$4 million.

In advance of the start of the new fiscal year, DOC put in place enhanced procurement restrictions limiting purchases to mission essential and emergency purchases only. In addition, we have put in place greater scrutiny of all purchases and temporarily limited purchase approval to a number of higher level agency staff for tighter control. Furthermore, the agency has implemented or is in the process of implementing the following various new saving initiatives:

- Revision of its current warehouse ordering system to limit the number of products offered through its warehouses and to gain greater economy in the agency's procurement of such items.
- Developing a matrix to tie the quantities allowed to be ordered by the agency's facilities, through the warehouses, to the size of the inmate population housed within the facility and to the physical size and operational needs of the facility.
- Consolidate numerous activities that allow for the greater leveraging of limited resources
- Continue Lean events to maximize our current resources
- Implemented or is in the process of implementing various energy savings and conservation initiatives.

The agency is confident that tighter procurement controls, various savings initiatives and the continued decline in the agency's incarcerated population will enable it to operate within budget in FY17.

SID 12235 Workers' Compensation Claims

Workers' Compensation claims are unpredictable, even in the most controlled of environments. However, DOC is reasonably confident that it can operate within the constraints of its FY17 Workers' Compensation allocation. DOC expenditures in SID 12235 for FY15 were \$28.2 million and \$26.4 million in FY16. DOC was able to reduce its Workers' Compensation expenditures by \$1.7 million. Achieving a reduction of approximately \$2.7 million in FY17 will be challenging. The agency believes that the wellness initiatives it enacted in FY16, its continued emphasis on wellness and institutional safety and its efforts to control and reduce the use of overtime will allow the agency to operate within budget in FY17.

In a correctional environment some staff injuries are inevitable. The agency contends that maintaining the mental and physical health and wellbeing of staff and maintaining safe and secure work environments limits the frequency and level of staff injuries. The agency asserts that excessive overtime degrades the mental and physical wellbeing of staff and degrades institutional safety and security, increasing the potential for injury and the severity of such injuries. Maintaining operational staffing levels, along with other overtime reduction efforts has reduced the agency's use of overtime. Though it is still early in the process, DOC believes that the reduction in overtime has translated into fewer workplace injuries. DOC is confident that its continuing focus on wellness, its efforts to maintain and reduce overtime and the decline in the incarcerated inmate population will enable the agency to operate within available resources.

SID 12242 Inmate Medical Services

The reduction in funding for inmate medical services represents a reduction of approximately \$4 million from what was expended in this account in FY16. In an effort to operate within the

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constraints of the FY17 allocation while still maintaining patient care standards and fulfilling its statutory and constitutional obligations, DOC's vendor, Correctional Managed Healthcare of Connecticut (a subsidiary of the University of Connecticut Health Center) has proposed several cost containment and cost reduction initiatives which the agency will review and ensure that appropriate healthcare to individuals under its care and custody is provided.

The proposed cost containment and cost reduction initiatives and actions CMHC has proposed to reduce costs from the original appropriation of \$92,877,416 to the current appropriation of \$82,738,534 include:

- Increase vacancy rate to 6%
- FY15 and FY16 staffing reductions (through attrition and layoffs)
- Proposed staff changes to FY17
- Proposed non-salary expense savings (including, reductions in spending for pharmaceuticals, medical supplies, repairs and maintenance, reduced use of Locum doctors and Outside and Other Purchased Services, etc...)
- Additional proposed savings (which include: furloughs, centralization of discharge planning, elimination of vacancies, other staffing reductions, replacing HIV counselors with LPNs, reduction of hours for certain staff and the elimination of NCCHC accreditation).
- The proposed savings includes impacts and savings accruing from halfway house patients now being covered by Medicaid.
- Proposed elimination of the formal NCCHC accreditation.

Although we have not approved this proposal, DOC is confident that we can develop a plan with CMHC to operate effectively within available resources.

SID 12302 Board of Pardons and Parole

The Board of Pardons and Parole (BOPP) is APO to DOC. It is currently projected that BOPP will end FY17 within their available resources.

SID 12581 Program Evaluation

The reduction in the Program Evaluation allocation will impact our ability to evaluate various programs, however this will not pose any operational issues for the agency – there will be no impact on the delivery of core services. We are continuing with the evaluations in progress and we are currently determining if any new evaluations can be started with the current funding.

SID 16007 Aid to Paroled and Discharged Inmates

The current allocation mirrors historical costs in this account. There are very few individuals who qualify for this funding and as such there should be no issues associated with this level of funding.

SID 16042 Legal Services to Inmates

In February 2015, DOC issued a RFP for Inmate Legal Services. A new contract was issued in FY16 to Bansley/Anthony, LLC, a law firm based in New Haven. The contract requires the firm to provide inmates with meaningful access to court and has a term of six year. This new contract provided savings over the previous contract the agency had for these services. The reduction in funding for SID 16042 for FY17 however represents a reduction to the amount contracted for these services (the contracted amount is \$797,000). The agency however worked closely with the vendor in FY16 to reduce costs and as such the cost of service provided by the vendor in

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FY16 was \$754,000 (which is slightly more than the FY17 allocation). DOC is continuing to work with the vendor on achieving additional savings and is confident that it will be able to meet the statutory and constitutional obligation of providing meaningful access to the courts within available resources. The reduction in funding has, understandably, frustrated and disappointed the vendor and will require the vendor to restructure its delivery of services. Such changes will most likely result in a slower response time by the vendor and the curtailment of some ancillary and outreach activities, however such adjustments should not have an overall negative impact on the program nor should it impact the agency's provision of meaningful access to the courts.

SID 16073 Volunteer Services

The agency has scaled back its volunteer services program to operate within available resources.

SID 16173 Community Support Services

Over the last several months, the Department of Correction (DOC) has been working with its non-profit service providers to reduce costs associated with its Community Services budget (SID 16173). This process started back in March of 2016, when the Commissioner held a meeting with all of DOC's residential and non-residential service providers to discuss budget impacts and seek input for ideas on budget savings. Feedback was limited to only a few ideas, and some would require longer term planning and implementation that would not address the immediate budget needs facing DOC and the State.

In an effort to focus its limited resources and still support the increased need for beds in the community, it was determined that a number of non-residential services could no longer be sustained. In April 2016, DOC began the process of meeting with each residential and non-residential provider to discuss the status of their contract. These discussions included changes in programming, where residential providers that offered substance abuse programs were now being asked to convert those services to work release or temporary housing programs. The modifications reinforced DOC's changing model of supervision and also derived additional savings from the providers. In support of this transformation, a preliminary determination has been made that will allow for halfway house parolees to be eligible for Medicaid covered health services. This change will allow for care to be shifted from the criminal justice system to the community. We believe that it will also better prepare individuals by allowing them to have a choice in their care, which will be in the community in that they reside, not through a halfway house provider. DOC continues to work with DSS and our providers on this important topic.

Currently, DOC is working with its providers on modifying contracts and budgets to reflect on-going discussions. The following is summary of the benefits derived from this process:

- Non-Residential Contracts terminated for FY17: \$8.46 million
- Halfway house beds added with no additional on-going costs: 13 (\$320,000 approx. value)
- Additional Provider budget savings resulting from changes: \$551,309
- DOC anticipates an RFP for additional HWH work release/temp housing beds

In summary, the DOC has undertaken an extensive and rigorous review of its policies, procedures, practices and operations and has implemented numerous cost reduction and cost savings initiatives. Non-core service functions have been curtailed or eliminated, operational redundancies have been reduced or eliminated, functions/units have been restructured or consolidated to achieve operational and fiscal efficiencies and to leverage limited resources and programs and services have been adjusted to operate within available resources. These efforts

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are ongoing and will continue throughout the fiscal year and beyond as the agency and state work to adjust to the new economic reality and the positive effects of the Governor's second chance society initiatives.

Summary

Though its General Fund budget for FY17 poses numerous challenges to the agency, DOC is confident that, barring any extraordinary weather events, unforeseen circumstances, new fiscal adjustments that negatively affect our budget, or new unplanned mandates and/or obligations the agency will be able to fulfill its mission, meet its statutory and constitutional obligations and deliver its core services within the constraints of its budget and within available resources.

Given the tight tolerances of its FY17 budget, the DOC is preparing contingencies that include a possible FAC action to reallocate funding within its budget to accommodate any shortfalls that occur during the fiscal year. DOC has tentatively identified approximately \$800,000 in Community Support Services funding (SID 16173) that it will seek through FAC action to reallocate to SIDs if needed.

