

Budget Summary

prepared for the Senate Finance Committee

Texas Department of Criminal Justice
October 3, 2006



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Texas Department of Criminal Justice

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Fiscal Year 2007 Operating Budget

TDCJ's Fiscal Year 2007 Operating Budget reflects the amounts appropriated during the 79th Regular Legislative Session. This includes the necessary funding for projected population increases for incarcerated and paroled offenders and funding directed by the legislature to probation programs with a goal of reducing correctional population pressures.

The primary on-going fiscal challenges this biennium are:

- ❑ Continued growth in electricity, natural gas, and fuel expenditures have a significant fiscal impact on the agency. Since 2001, electricity expenditures have increased by 22.5% and natural gas expenditures have increased by 19.7%. Over that same time period, consumption of electricity and natural gas has decreased by 0.5% and 11.7%, respectively. While TDCJ average offender populations and expenditures have increased, proactive contracting has kept TDCJ's rates below the state average. However, there remains a gap between available budget and estimated expenditures;
- ❑ The fiscal impact of increases for hazardous duty and longevity pay for agency employees established by the legislature last session totaled over \$10 million annually; and,
- ❑ Increases associated with off-site hospital costs and specialty care have increased the fiscal challenges for Correctional Managed Health Care.

During Fiscal Year 2007, we will continue monitoring our expenditures and reducing costs to substantially offset budget shortages in an effort to limit the amount of any required additional funding. Based on past history, we will likely reduce the expected TDCJ shortfall to \$30-40 million. This figure does not include potential operating shortfalls of Correctional Managed Health Care.

Fiscal Year 2008-09 Legislative Appropriations Request

BASELINE REQUEST:	<i>All Funds</i>	<i>\$5.266 billion</i>	<i>GR – Related Funds</i>	<i>\$5.021 billion</i>
GRAND TOTAL REQUEST:	<i>All Funds</i>	<i>\$6.157 billion</i>	<i>GR – Related Funds</i>	<i>\$5.471 billion</i>

Grand total request above includes exceptional items totaling \$891.4 million.

OPERATING:	<i>\$450.8 million</i>
CONSTRUCTION:	<i>\$440.6 million</i>

Based on the recent offender projections from the Legislative Budget Board in June 2006, the offender population will exceed the operational capacity by 11,156 at the end of Fiscal Year 2011. A considerable portion of the exceptional items for additional appropriations is based on a multifaceted approach in managing the projected population requirements and minimizing the need for contracted temporary capacity.

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Current operational and programmatic items critical to the effectiveness of the criminal justice system. These items are included in current agency operations but excluded from the 90% base: *Sub-Total \$91.8 million*

<i>Biennial Request</i>	
<i>Millions</i>	<i>FTEs</i>

PROBATION **\$ 45.2** -
 A 10% reduction to the probation function would reduce resources available for judges and probation officials to manage offenders in the community. Caseload ratios, residential programs and treatment programs would be impacted. With fewer resources aimed at diverting offenders from incarceration, the already growing offender population could grow larger.

TCOOMMI **\$ 3.1** -
 A 10% reduction in the Texas Correctional Office on Offenders with Medical and Mental Impairments (TCOOMMI) would result in a decrease of services for offenders with mental illness served through community-based mental health criminal justice initiative and the jail diversion programs.

INCARCERATION (Treatment portion) **\$ 12.6** 56
 A 10% reduction to the treatment portion of the incarceration function would reduce the agency’s ability to provide institutional substance abuse treatment and continuing aftercare (both residential and outpatient counseling), and treatment for incarcerated sex offenders. The elimination of 56 FTEs would impact the unit’s ability to properly classify offenders relative to security, housing and job assignments, provide chaplaincy services, and would reduce access to sex offender treatment services.

PAROLE **\$ 20.0** 230
 A 10% reduction to parole would cause parole supervision caseloads to grow, fewer halfway house beds would be available as a condition for release, and a reduction in Intermediate Sanction Facility (ISF) beds would limit alternatives to revocation. A reduction of these resources at a time when offender populations are growing could have a negative impact on the overall offender population.

ADMINISTRATION **\$ 10.9** 95
 A 10% reduction to agency administration functions would impact our ability to provide management oversight, administrative support, information technology, and contract and procurement oversight at necessary levels. Most of these administrative functions were reduced 15% to 20% in response to the budget reductions made during the 78th Legislative Session, with some being reduced by 30%.

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TDCJ policy and/or operational items requiring additional state resources:

Sub-Total* \$677.5 million

**totals may differ due to rounding*

Construction funds: \$440.6 million
 Operating funds: \$236.9 million

<i>Biennial Request</i>	
<i>Millions</i>	<i>FTEs</i>

1) Electricity, Fuel and Natural Gas **\$ 83.3** -

Due to nationwide rate increases, TDCJ expenditures for electricity, fuel and natural gas will exceed the base request by approximately \$40 million annually for the 2008-09 biennium. Since 2001, our expenditures for electricity and natural gas have increased by 22.5% and 19.7% respectively, while consumption has decreased by 0.5% and 11.7% respectively. Our proactive contracting approach has resulted in lower utility rates and expenditures than otherwise would be expected. This item also includes long-term financing for energy-saving improvements at several correctional facilities through an energy performance contract.

2) Contractual Per Diem Adjustments - Privately Operated Facilities **\$ 16.8** -

This exceptional item request is for per diem escalators built into current contracts with private vendors for the operations of seven state-owned private prisons (4,078 beds), five state-owned privately operated state jails (7,297 beds), two pre-parole transfer facilities (2,300 beds), and four privately operated intermediate sanction facilities (1,400 beds). These competitively awarded contracts were evaluated and awarded with a rate escalator clause, resulting in an increase of approximately 2% annually to the contract price. Based on the current funding level and the current filled rate on these facilities, we will need an additional \$16.8 million for the 2008-09 biennium to maintain the current population levels on these correctional and parole facilities. Without this funding, we may be unable to utilize over 800 beds at these facilities, directly impacting the need for additional contracted capacity beds.

3) 250 Substance Abuse Felony Punishment Treatment Beds **\$ 13.3** -

The Substance Abuse Felony Punishment (SAFP) program is an intensive six-month therapeutic community program for offenders who are sentenced by a judge as a condition of probation. The agency currently has 3,250 SAFP beds located at seven facilities across the state. Upon completion of the SAFP program, offenders are placed in a community residential facility for three months, followed by outpatient treatment counseling for up to 12 months. As of August 2006, there are 574 regular needs offenders (both male and female) on the waiting list to begin treatment, which equates to approximately 12-15 weeks. Additionally, there are 292 special needs offenders awaiting treatment, approximately 15-week waiting period for males and 23 weeks for females. In previous statewide reports (most recently in January 2003), it was demonstrated that the recidivism rate for offenders completing the SAFP program was 5%. An expansion to the agency's SAFP program **would result in an increase to correctional capacity**. The agency would seek to contract for both the treatment and operations of a private facility. By funding these additional 250 SAFP treatment beds, the agency would be able to reduce the number of offenders awaiting treatment and move these offenders into an aftercare environment.

4) In-Prison Therapeutic Community Program Expansion (200 Treatment Slots) **\$ 4.8** -

The In-Prison Therapeutic Community (IPTC) program is utilized for eligible offenders who are within six months of parole release and have been identified by the Board of Pardons and Paroles as needing substance abuse treatment. The agency currently has 537 IPTC beds located at the Kyle and Halbert facilities. Upon completion of the six-month incarceration phase, offenders are released on parole and must complete an aftercare phase of treatment. The aftercare treatment consists of residential care for three months followed by nine to 12 months of outpatient counseling. As of August 2006, there are 309 eligible offenders on the waiting list to begin treatment, which equates to approximately 2-3 months. In previous statewide reports (most recently in January 2003), it was demonstrated that the recidivism rate for offenders completing the IPTC program was 5%. By funding these additional 200 IPTC treatment slots **within existing correctional capacity**, the agency would reduce the number of offenders awaiting treatment, thus moving these offenders into the treatment program more quickly.

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TDCJ policy and/or operational items requiring additional state resources (continued):

<i>Biennial Request</i>	
<i>Millions</i>	<i>FTEs</i>

5) 1000-Bed Medium Security Facility (includes 500 DWI Treatment Slots)	\$ 68.9	-
<p>The recent Legislative Budget Board offender projections indicate the offender population will exceed operational capacity by 7,328 beds by the end of the FY 2009. In an effort to partially offset this anticipated growth, this exceptional item would provide FY 2008 funding, with specific legislative authority for TDCJ to contract with a vendor for the design, construction and operation of a 1,000-bed medium security facility. Additionally, this request includes FY 2009 funding for targeted DWI treatment services for half of the beds (500) to be located on this proposed state-owned, vendor-operated facility. FY 2009 requested funding for operations of the facility is included in the Strategy C.1.10., Contracted Temporary Capacity, line item as this would partially offset the need for contracted bed space. As of August 2006, there are 5,583 prison offenders whose offense of record is Driving While Intoxicated (DWI). Similarly to the SAFP and IPTC programs, in-prison substance abuse treatment will be provided to identified offenders prior to release, with an aftercare treatment component upon release. By funding this facility, TDCJ would be able to provide needed treatment to DWI offenders as well as partially meet the projected need for correctional beds in 2008-09.</p>		
6) Mental Health - Pre-Trial and Jail Diversions	\$ 10.0	-
<p>Approval of this item would allow the Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMMI) to provide mental health services, medications, and continuity of care to defendants in local jails. This funding would also be used to provide post-release treatment and supervision to persons found Not Guilty by Reason of Insanity. These items would increase the mental health services available at initial entry into the criminal justice system, which could impact the jail population by providing additional alternatives to incarceration and increasing compliance with the conditions of release and supervision.</p>		
7) 150 Halfway House Beds	\$ 3.5	-
<p>Halfway house placements are made for offenders scheduled to be released on mandatory supervision who have no viable residential plan at the time of release. Currently, the agency contracts for nearly 1,200 halfway house beds located throughout the state. However, as of August 2006, there are 568 incarcerated offenders who have been approved for parole, but without a residential plan, these offenders would require a halfway house placement. Since these beds turn over approximately four times in a year, an additional 150 halfway house beds would allow for 600 additional placements annually; thereby, relieving some of the offender population pressures.</p>		
8) 250 Probation Residential and Treatment Beds	\$ 11.2	-
<p>This item would provide funding to the CSCDs for 250 additional residential treatment/mentally ill beds. These additional residential treatment/mentally ill beds would serve approximately 625 offenders per year at a cost of approximately \$5.6 million. These beds would be divided into 125 residential treatment beds for substance abuse offenders and 125 residential beds for mentally ill offenders. The additional treatment and residential options would provide judges with more alternatives to incarceration, both as a sentencing option and an alternative to revocation.</p>		
9) Probation Outpatient Substance Abuse Treatment	\$ 18.4	-
<p>This item would provide funding to the CSCDs for additional outpatient substance abuse treatment which would serve approximately 5,500 offenders at an annual cost of \$9.2 million. These additional treatment and residential options would provide judges with more alternatives to incarceration, both as a sentencing option and as an alternative to revocation. These alternatives are designed to divert offenders from incarceration in prisons and state jails and could reduce the number of contracted temporary beds required.</p>		
10) Basic Supervision	\$ 20.0	-
<p>This item would provide \$10 million annually for the CSCDs to employ additional Community Supervision Officers, reduce caseload sizes, and assist in retaining experienced specialized officers who work with medium and high risk offenders. In addition, this funding would address rising costs such as fuel and utilities, increased insurance costs, and other operational costs impacted by inflation.</p>		

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TDCJ policy and/or operational items requiring additional state resources (continued):

<i>Biennial Request</i>	
<i>Millions</i>	<i>FTEs</i>

11) Capacity Construction

\$ 377.7 -

Based on the recent offender projections from the Legislative Budget Board, the offender population will exceed operational capacity by 11,156 at the end of FY 2011. Meanwhile, the number of offenders convicted of violent and 3G offenses is growing faster than the overall population due to longer sentences and more restrictive release procedures. To meet the offender population growth that is projected to occur, we are requesting funding for the construction of one 2,750-bed prison unit and one 1,330-bed prison unit, with construction to be completed during the 2011-12 timeframe. As required by statute, TDCJ must accept all offenders housed in county jails by the 45th day after all county processing has been completed. Without adequate capacity to house offenders, the state is authorized to contract with counties for housing offenders. These additional 4,080 beds would considerably decrease future requirements for contracted temporary capacity. The approximate construction estimates above were calculated by applying an inflation factor to the average costs of similarly built facilities that were completed during the early and mid 1990's. We have not engaged an A/E firm to do a scope/estimate for these specific facilities. Such work, although costly, might yield a more definitive estimate; however, the current volatility of raw material costs would impact the precision of any estimate.

12) Fleet Vehicle Replacement

\$ 24.0 -

The agency's fleet currently consists of approximately 2,100 vehicles, utilized primarily for offender transportation, freight transportation, agricultural operations, and construction activities. The agency's conservative replacement criteria for vehicles include: diesel truck tractors - 10 yr / 500,000 miles; diesel buses - 10 yr / 300,000 miles; and passenger vans/vehicles - 5 yr / 100,000 miles. During the 1990's, the agency experienced tremendous growth statewide. A large number of the vehicles purchased during that growth period currently meet or exceed the agency replacement criteria and would cost \$58.8 million for the 2008-09 biennium if replaced according to the replacement criteria. Without functional vehicles, agency operations, to include offender transportation and freight transportation, would be significantly impaired. The cost of vehicle maintenance has increased over the past 5 years by 62%, to approximately \$7.8 million in FY 2006. The aging of our vehicle fleet and these increased maintenance costs impact the cost associated with transporting offenders and basic necessity items such as clothing and food.

13) P.C. Replacement

\$ 8.0 -

There are approximately 10,400 personal computers (PCs) within the agency. TDCJ's conservative PC replacement schedule is based on a six-year life cycle; whereas, the Department of Information Resources (DIR) plan calls for a standard of 2-3 years. The age of these PCs impacts their compatibility and functionality as hardware and software support become increasingly difficult to obtain. No capital funding was appropriated to purchase additional PCs in FY 2006-07. Approximately 6,400 PCs will be in need of replacement during the FY 2008-09 biennium.

14) Offender Information Management System (OIMS)

\$ 14.7 -

Previous phases of our Offender Information Management System (OIMS) project included the offender records process related to parole board votes and parole supervision functions as well as the information technology infrastructure necessary to connect all TDCJ units, parole, regional, and administrative offices. This next phase will leverage the infrastructure established in the previous phase and lay the groundwork for creating a comprehensive electronic offender record by the imaging of offender records at intake. After implementation, the electronic record will replace the hard copy record and allow for simultaneous access by multiple users. The offender record will be imaged during the intake process and maintained and utilized throughout incarceration and parole supervision.

15) Office of the Inspector General (OIG)

\$ 2.6 30

The OIG consists primarily of peace officers responsible for investigating allegations of criminal behavior, serious policy violations, excessive use of force, and suspected fraud on TDCJ facilities, as well as coordinating with local law enforcement to apprehend absconders and escapees. The reductions made during the 2004-05 biennium eliminated 69 positions (nearly 30%) from these functions. This funding would provide additional investigators to conduct investigative activities and organized crime investigations of prison gangs throughout the state.

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CMHC policy and/or operational items requiring additional state resources:

<i>Biennial Request</i>	
<i>Millions</i>	<i>FTEs</i>

1) Correctional Managed Health Care (CMHC)

\$ 122.1 -

This Correctional Managed Health Care funding, designed to address the pressing resource needs of the correctional health care program, is detailed as follows:

Priority	Description	FY 2008	FY 2009
1	Adjustment to Base to Reflect Current Costs	\$23.5	\$23.5
2	Market Adjustments to Retain Health Care Staff	\$8.0	\$13.8
3	Increased Hospital/Specialty Care Costs	\$8.2	\$15.5
4	Increased Pharmacy Services Costs	\$2.3	\$4.8
5	Critical Capital Equipment Replacement	\$4.6	\$1.8
6	Other Increased Operating Costs-Supplies & Services	\$2.3	\$3.5
7	Hospital Galveston Repair/Renovation	\$10.4	U.B.
Totals*		\$59.3	\$62.7

**Totals differ due to rounding*

According to CMHC, the largest component of the correctional health care exception request is \$47.0 million to bring the base level of funding to the level of expense actually incurred for the delivery of services. This funding is critical to maintaining operations and delivering the level of services required by minimum standards. Significant health care professional shortages are impacting the ability to provide adequate staffing for TDCJ facilities. \$21.7 million is requested over the biennium in order to bring salaries and shift differentials to market levels. Hospital and specialty care costs are estimated to increase about \$23.7 million and pharmacy costs \$7.1 million over the biennium. Additionally, the correctional health care program is facing critical capital equipment needs for x-ray, dialysis, dental chairs and other equipment estimated to total \$6.4 million. Increased operating supplies and service costs are estimated to require \$5.8 million over the biennium. Costs are driven by an aging prison population requiring more extensive care, rising costs of health care related services, health care professional shortages, and evolving standards of care. Finally, the Hospital Galveston facility requires significant repairs to address safety and deterioration issues, as well as improvements to the gates and service areas estimated to total \$10.4 million.