

# THE BUDGET

## MDOC's Continuing Effort To Economize By Commissioner Christopher B. Epps

As I write this summation of the MDOC's ongoing efforts to reduce costs, I have laying in front of me the headline "**Barbour Cuts \$221M More From Budget.**" These headlines are often accompanied by at least a paragraph about how Governor Barbour is trying to "protect" his "favorite" agency and another about the "possible release" of "up to 4000" inmates. It is the prevalence of these references that has prompted me to reiterate what Paul Harvey would call the rest of the story, the story of why our budget is three hundred and seventeen million dollars instead of three hundred and sixty six million dollars.

In 2004, when only the most acute analysts were foreseeing the economic troubles of today, the MDOC began a program of creative streamlining that other agencies are looking to now for ideas to reduce their own shortfalls. Anyone that understands the rule of unintended consequences can readily see how a complete elimination of fat from a budget means that further cuts are going to carve into more critical, and tender, muscle. This, not a misplaced desire to protect or favoritism, is the reason Governor Barbour has been seeking to have more flexibility with the MDOC making budget cuts. The rest of the story is that we started years ago doing what needed to be done.

**\$62,402,932** On January 1, 2004 the MDOC had 3,640 filled positions. That year House Bill 1279 was passed removing the agency from civil service protection. The ability to reorganize the agency allowed the administration to leave 373 voluntarily vacated positions (through retirement or alternative employment) unfilled. One hundred ninety-four other positions were also eliminated. The total reduction in staff was 567. MDOC ended the year with 3,073 employees. This reorganization alone reduced agency expenditures by \$15,600,733 annually, or \$62,402,932 since implementation.

**\$10,264,943** Mississippi contracts with private companies for the operation of six private prisons; however, the ownership of the physical structures belongs to the State of Mississippi. Through the refinancing and restructuring of the debt service for the private prisons, the MDOC has saved the state \$10,264,943 since 2005.

To avoid re-inflating the number of employees in the intervening years, the MDOC has been employing electronic detection systems, cctv and other technology whenever possible. New or improved systems are in place for the observation and control of offenders and for the storage and dissemination of information. Because of the agency's dedication to the measures necessary to remain "right sized" we have been able to provide appropriate levels of public safety and rehabilitative services while under a multi-year hiring freeze.

**\$8,252,153** MDOC's employees have dedicated themselves to using every therapeutic technique to reduce recidivism. The success is seen in a recidivism rate that has declined from 34% to 30 % providing a cost avoidance of \$8,252,153.

**\$5,234,958** On April 7, 2008, Governor Barbour signed Senate Bill 2136 extending parole eligibility to 5,300 inmates. Subsequently, Parole Board actions and releases increased, contributing to a prison population reduction of 1,400 inmates and vacant prison beds. To reduce basic housing costs, the agency has been returning offenders to the newly open state run MDOC beds. We have reduced the number of offenders in private prisons by 403 and in regional jails by 632. The total cost avoidance is approximately \$5,234,958. The actual savings has not been calculated due to the floating economy of scale and per bed cost related to incremental increases in the population of large state institutions. The MDOC continues to be mindful as this is done not to violate

contracts and/or cause financial harm to local governments.

**\$4,184,751** Through the phasing in of semi-monthly delayed payroll, culminating with a final mandatory switch for staff not having made the change, the agency will be able to defer the first two week's pay from employees' first pay period to his retirement or separation. This cost deferral yielded from inception to date has been \$4,184,751.

**\$4,170,577** Another move away from the common method of operation was for the MDOC to self ensure for worker compensation. The agency now has a Director of Loss Prevention that monitors our facilities for safety hazards and the agency conducts the requisite investigations regarding claims. Prior to FY2005, the workers comp program cost the MDOC \$2,800,000. Since 2005, through these changes, the MDOC is saving an average \$1,100,000 per year, or \$4,170,577 from inception to date.

**\$4,000,000** The MDOC has reached an agreement with the Mississippi Division of Medicaid that has yielded substantial savings relating to the health care needs of the inmate population. The agreement ensures that inmates are treated at the Medicaid rate and following standard Medicaid administrative guidelines. Through this change the MDOC has saved the state approximately \$4,000,000 to date.

**\$3,125,000** The changes that have occurred in earned time laws that resulted in the accelerated completion of sentences resulted in more offenders requiring street supervision. Starting in 2005, the MDOC avoided the additional cost of staff by eliminating the field officers' duty to collect supervision fees. This duty required 12% of each officer's time. The time freed from this duty will equate to the hiring of twenty-five new officers. This change provides \$625,000 in cost avoidance a year, and \$3,125,000 from inception to date.

**\$1,800,000** The MDOC has also started requiring county jail medical treatment for state inmates to be billed at the

Medicaid rate. This rate is at least 40% lower than the full rate. The savings from this change is in excess of \$450,000 annually. Since the MDOC started this practice in 2007, the MDOC has saved a total of \$1,800,000.

**\$1,132,612** The implementation of biometric time clocks has provided another savings for the agency. Through accurate time keeping, MDOC has the ability to identify which workers were on duty at any given time, allowing the agency to reduce staffing costs by .5%, or \$566,306 annually after cost of the time clocks and service contract. The savings to date, since inception in 2008, has been \$1,132,612.

**\$1,312,500** We have begun buying natural gas wholesale. The MDOC uses approximately 350,000 MMBTU of natural gas a year. Buying wholesale allows us to save \$0.75 per MMBTU, or approximately \$262,500 annually, or \$1,312,500 since inception in 2005.

A quick lesson in BTUs - A standard unit of measurement used to denote both the amount of heat energy in fuels and the ability of appliances and air conditioning systems to produce heating or cooling. A BTU is the amount of heat required to increase the temperature of a pint of water (which weighs exactly 16 ounces) by one degree Fahrenheit. A wooden kitchen match produces approximately 1 BTU, and air conditioners for household use typically produce between 5,000 and 15,000 BTU. MMBTU stands for one million BTUs. One cubic foot of natural gas produces approximately 1,000 BTUs.

**\$678,035** By the MDOC switching to a web based offender information system, after the costs for the software and ongoing service fees the MDOC has been able to eliminate \$135,607 in access costs annually, or \$678,035 since the inception of the change.

**\$425,000** The agency has been upgrading climate control and lighting systems to reduce power consumption. To ensure we carried out these measures at the lowest cost with the maximum reduction in energy usage, we contracted with engineers

specializing in energy issues. The end result is a cost reduction of approximately \$85,000 annually. This reduction is subject to large fluctuations due to changes in fossil fuels costs. These changes have saved the taxpayers \$425,000 to date.

**\$200,000** The MDOC has also been cutting our fleet. We have recently eliminated 87 vehicles from inventory. With the reduced fuel consumption and elimination of maintenance costs, the fleet reduction has saved the taxpayers roughly \$200,000 in one year's time. Through the sale of the vehicles, the MDOC was able to return \$36,628 in revenues.

Some of the measures we have implemented don't yield the sizable budget reductions discussed above but they do have an impact and they clearly demonstrate the commitment of the agency's staff and administration. Some, such as the elimination of copiers, printers and fax machines have reduced costs but defy accurate savings calculations,

Two measures that are indicative of our efforts and resolve could be referred to as a reduction in the amenities of state government employment. These diminished amenities come in the form of reduced out-of-state travel and the use of more economical vehicles.

In state government, it is a long established practice to at least partially finance employee trips to professional organization conferences and to account for the time at such conferences as time worked. The MDOC makes allowance for out-of-state travel only for those staff that are on the boards or governing committees of the respective professional organization. Even then, the allowances made are minimal in relative terms.

The Mississippi Department of Corrections, alone in the ranks of state government, has been replacing aging vehicles, and in particular vans, with Nissan Versas. Comparing the Versa to the far more common Charger, the Versa costs roughly \$4,000 less and gets roughly 10 more miles to the gallon. The savings goes up when

the base cost is compared to the Crown Victoria and the gas savings is compared to the passenger vans. I admit that our diminished fleet and switch to sub-compacts has generated some grins and snickers from other agency heads, but the savings for the state of Mississippi are worth it, even the outright laughs. I'm sure the taxpayers agree.

**\$107,182,961** As the facts bear out, the grace being extended to our agency at this time by the governor isn't a matter of favoritism but an acknowledgement of the MDOC's ongoing commitment to fiscal discipline. We have demonstrated \$107,182,961 in savings and cost avoidances accomplished by the MDOC in the past few years. Methods and attitudes others are adopting now have been a way of life for this agency for years.

I know there are decisions that will have to be made that will affect incomes and comfort at every level. I also know that with your cooperation, assistance, or other effort, while the MDOC's population has increased by 28.9% (from 42,772 to 55,149) our expenditures have only increased 18% (from \$289,195,791 to \$341,226,415). And, you should know that your dedication has reinforced my commitment to work for you to try to ensure that any adverse action you experience due to the budget crisis occurs only as a last resort.

I commend each and every individual that has worked with the administration to bring about these cost reductions and born the burden of doing more with less. Out of respect for your dedication, I haven't been pulling punches at the quarterly meetings or in my one-on-one conversations with staff. Our national and global economy hasn't made it to the bottom yet. The coming few years are going to be increasingly painful, to each individually, and collectively as an agency. We will make it through though, because each of you in the MDOC have created a culture of fiscal responsibility and respect for taxpayers' dollars. I hear from employees that friends and family comment on the respect that the governor appears to have for the MDOC with questions as to why. Now, you have the answer in your hand. Share it with them.