

THE DEPARTMENT OF CORRECTIONS
IN-DEPTH STUDY

November 16, 1998

**Office of the Legislative Fiscal Analyst
A Report to the Legislative Process Committee**

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I THE DEPARTMENT

A. DEPARTMENTAL OVERVIEW

Statutory and General Responsibilities

The Department of Corrections is organized under authority of Title 64 Chapter 13 of the Utah Code Annotated. With a budget of over \$169,837,900 (88.9 percent of which is supported by General Funds) and 2,200 FTE employees it is one of the largest agencies in state government.

Departmental duties are specified in Section 64-13-6 UCA include a variety of duties, the foremost of which are:

- Protect the public
- Provide programs and treatment for offenders
- Implement punishment
- Supervise probationers and parolees

B. ORGANIZATION

Divisions and Bureaus

Executive Directors Office

- Bureau of Information Technology
- Audit Bureau
- Financial Services Bureau
- Human Resources Management Bureau
- Investigations Bureau

Administrative Services

- Americans with Disabilities
- Facilities and Construction Bureau
- Graphic Arts and Publications
- Professional Services
- Records Bureau
- Research and Planning Bureau
- Training Bureau

Adult Probation and Parole

- Interstate Compact
- Region I Adult Probation & Parole (Logan)
- Region II Adult Probation & Parole (Ogden)
- Northern Utah Community Correctional Center (Ogden)
- Region II-D Adult Probation & Parole (Farmington)
- Region III Adult Probation & Parole (Salt Lake City)
- Bonneville Community Correctional Center (Salt Lake City)
- Fremont Community Correctional Center (Salt Lake City)
- Orange Street Community Correctional Center (Salt Lake City)
- Women's Community Correctional Center (Salt Lake City)
- Region IV Adult Probation & Parole (Provo)
- Region V Adult Probation & Parole (Cedar City)

Region VI Adult Probation & Parole (Price)

Institutional Operations

- Clinical Services
- Medical Services
- Mental Health
- Substance Abuse
- Inmate Administration Bureau (IAB)
 - Assignment
 - Management Action Plan
 - Management Services
 - Photo Lab
 - Records Services
 - Transportation
 - Volunteer & Religious Services
- Special Operations
- Support Services
 - Commissary
 - Food Services
 - Inmate Funds Accounting
 - Laundry
 - Mail and Property
 - Maintenance
 - Purchasing
 - Warehousing
- North Point (Draper)
 - Lone Peak Facility
 - Olympus Facility
 - Timpanogos Facility
- South Point (Draper)
 - Oquirrh Facility
 - Uinta Facility
 - Wasatch Facility
- Iron County Facility
- Central Utah Correctional Facility (Gunnison)

Utah Correctional Industries

- Agriculture
- Engineering
- Finance
- Industrial Operations
- Service Operations

C. MISSION(S)

Department of Corrections Mission Statement:

The Utah Department of Corrections contributes to the protection of our community by enforcing the orders of the court and the Board of Pardons and Parole, and guiding offenders to become law abiding citizens by utilizing resources within our Department and our community.

Administrative Services

It is the mission of the Division of Administrative Services to provide support and leadership to all components of the Department of Corrections in order to accomplish its mission.

Correctional Industries

Utah Correctional Industries is self-supporting division of the Department of Corrections that contributes to the protection of society by training offenders in general and specific work skills, which enhance their employability as law-abiding citizens.

Institutional Operations

While recognizing the offenders' right to self-determination, we will manage our institutions safely and humanely with appropriate levels of security and opportunity for improvement as determined by staff assessment of the offenders' history, needs, behaviors and expressed desires.

Probation and Parole

Assure the safety of our citizens by carrying out the orders of the court and board of pardons.

D. APPROPRIATION HISTORY FOR THE DEPARTMENT OF CORRECTIONS

Prior to the 1990 General Session the Department appropriation included five line items:

- Administration/Field Operations
- Institutional Operations
- Data Processing (Internal Service Fund)
- Utah Correctional Industries

In the 1990 General Session, litigation related to the "medical" budget component, and subsequent growth in that budget, caused legislators to break the medical component into a separate line item. Concurrently the annual forensics appropriation (\$190,000) was also broken into a separate line item. Overall growth in the administration and field operations budgets made the separation of the Field Operations Division budget into it's own line item also desirable. Since

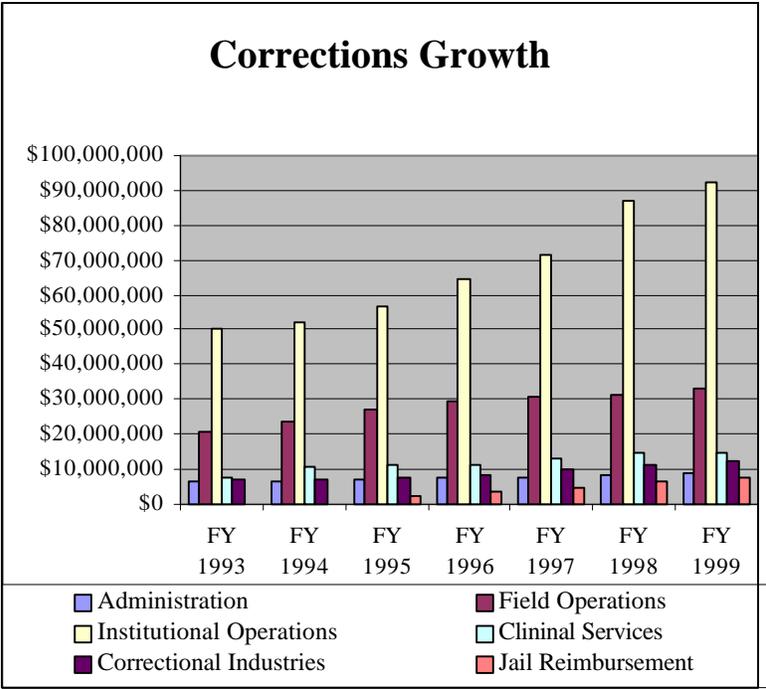
the FY 1991 budget, appropriation the line items have generally been as follows:

- Administration
- Field Operations
- Institutional Operations
- Data Processing (Internal Service Fund)
- Clinical Services
- Forensics
- Utah Correctional Industries (Enterprise Fund)

The appropriations history for the Department of Corrections has been relatively stable in form but growing in total for the last seven years. Department budget growth has reflected both fiscal note funding of a series of “get tough on crime” legislation items as well as strong legislative support for increased institutional facilities and staffing through the budget appropriations process.

It should be noted that, since Corrections input to institutional operations is through court action and releases on parole are under the authority of the Board of Pardons, the Department does not have control over the number of offenders committed to it’s care or the length of stay of offenders in prison or on probation and parole.

The following chart illustrates the 81 percent growth of this budget over seven years.



Detailed financial data on the appropriations line items shown in the chart and the programs that make up those line items are to be found in Appendix D.

II DEPARTMENT-WIDE ISSUES

A. POLICY DRIVING BUDGET INCREASES

Just “Locking Offenders Up” (Incapacitation) is not cost effective

The current adult corrections’ program is based, at least in part, on a questionable assumption. That of incapacitation reducing crime or making the community safer. When the long term impact of incarceration is considered the Analyst questions this assumption. Incapacitation has marginal impact on the levels of crime and is the most expensive alternative treatment for offenders.

“Most criminologists today - whether left, right or center - generally acknowledge that only a fraction of serious crime can be prevented by increased incarceration.” Recidivism, or the rate of re-offense by a discharged prisoner, continues to show that prisons do not correct most offenders and society is not protected (except a short expensive period) by incarceration.

The Detroit Crime Task Force Report in recapitulating the Detroit Strategic Planning Project noted, *“One reality became abundantly clear: **building more prisons to accommodate a burgeoning number of felons is not the answer.**”* It must be remembered that **most prisoners will come out of prison and back into society.** How they come out, and what we do to change their potentials to be productive additions to society, rather than drains on its resources, is a policy decision.

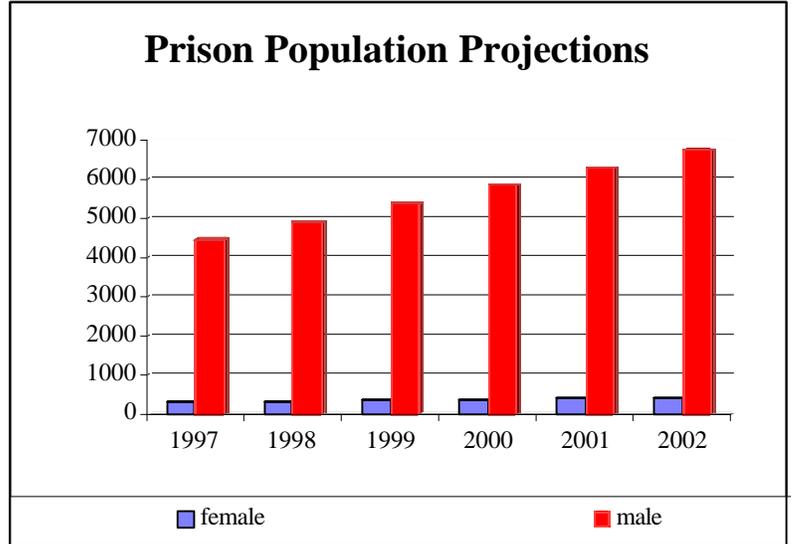
Budget Highlights:
Statutory mandates are driving corrections not crime

1. The most crime prone age groups, in fact, show an almost marginal increase. Current demographic data shows that the number of Utah residents between the ages 20 and 29 has **not significantly increased** during the period from 1980 to present. At the same time, the inmate population has grown from under 1,000 to over 5,200 (1980 to 1998). This suggests that the **at-risk group population does not account for the increases in the inmate population.**
2. The average rate of crime in Utah has been approximately 5,279 offenses per 100,000 population over the last ten years. While the general perception is that crime is on the rise, when adjusted for population increases it has not. In fact, **the crime rate has not increased nor decreased more the 8 percent over the average rate for this period.**

But, Utah’s incarceration rate has grown as follows:

Incarceration rate 1980	69 per 100,000
Incarceration rate 1998 (Jan)	Over 200 per 100,000

This means that we are locking up more and more people for longer terms at an ever increasing cost. Prison population projections and their attendant costs continue to be driven by these policy decisions.



Note: Total inmate population as of 3 November 1998 is 5,136, including 761 in local jails.

B. A REFOCUS OF RESOURCES

There is a generally held belief that criminal conduct by adolescent and young adult members of their community should not go unpunished, though many members of the public feel that sentencing was undeservedly harsh in certain categories of cases (e.g., simple drug possession), and they bemoaned the lack of attention paid, in prisons and upon release, to the obvious mental health and substance abuse problems of members of their community sent there for correction.

In the press and in political discourse, “public safety” is defined as more arrests, more tons of drugs seized, more prison sentences, and (when the data support it) fewer reported major crimes (index crimes) per 100,000 of population. Those definitions have the immediacy they do, because, politically accountable officials: know how to arrest and imprison offenders, have built a substantial capacity to do that, and know how to count the number of Index crimes reported to police.

Public Safety?

For years the mission statement of the Department of Corrections—like the mission statements of correctional agencies everywhere—has required far more than confinement and supervision of offenders. The Department Mission Statement charges the department to provide public safety in the form of “community protection” and to “provide offenders with the tools necessary to be competitive and to enhance their prospects in a free world.” If the state and the department were to take this seriously, it would have to develop capacities to do more than warehouse, case-work, and re-train known offenders.

Change is Needed

Policy and practice has been so tightly focused on incarcerating and correcting individual offenders as the means for increasing public safety. Demand for prison beds has consumed available resources and has left little for the deployment of correctional resources into the community to increase public safety by other means. The Department is expanding its view of the ways correctional resources might be deployed, in order to escape the apparently insoluble problem (*i.e.*, restrict growth in the prison population and in the Corrections budget, without diminishing the public safety and accountability afforded by existing penal statutes, policies and practices).

The “risks” of a new definition

The public has the habit of discussing the public safety problem by reference to the threats posed by individual offenders (*e.g.*, Willie Horton). The dangers of doing so are twofold:

- ▶ First, this convention lends apparent plausibility to the idea that a growing prison population somehow produces “public safety” (because known offenders are behind bars), and it focuses inordinate attention on the presence in our midst of the individual offenders we know about (and can hope to “correct” or at least lock up).
- ▶ Second, it is hard not to embrace this definition of our problem, because it so nicely suits the criminal justice system, on which we have come to rely for public safety. Sentencing, in particular, seems a powerful source of solutions, because it authorizes the use of force—to incapacitate and to “correct” the individuals whose liberty, character, and circumstances are thought to put public safety at risk—and it is presented as a way to “send messages” to others like them, in hope that they will be listening and will calculate the cost of crime as too high.

A Business Analyst View

If nothing changes in current state policy for Corrections, a net increase of 1,100 felony offenders would reach their mandatory release dates or be released on parole over the next five years, while there would be an average annual increase of 1,865 offenders placed on felony probation. The resulting 3,000 additional “felons on the street” (over and above the current levels) puts the prison “beds” problem in a different perspective (See Appendix E).

With approximately 204 officers supervising 13,000 offenders on the street there are about 64 offenders being supervised by each probation and parole officer in the community. At the same time the prisons have about 4.2 offenders per correctional officer. This means approximately 15 times more of ‘corrections’ staff resources are used to manage offenders when they’re locked away in a prison, far from the public, than when they are out in the communities where we live?

The Change

Circumstances call for an evolutionary break and the initiation of a scheme by which the state's sentencing authority and correctional resources would actually be deployed to reduce threats to public safety rather than to process the state's failures to do so. The reality is that such continuing demands on the construction budget and bonding capacity for more beds are effectively reducing Utah's ability to finance other basic public needs.

The "Threat" is Local

Because criminal threats to personal safety, property, and the quality of community life are quintessentially local in nature, the assets available to counter these threats are either local or, if they are the state's, they must be applied in particular places, at particular times, to match the particular risks posed by and to the people who live and work there.

The state continues to spend tax funds on meeting inmate's nutritional, health, and other basic needs of the offenders in prison when the money could have been spent on making more livable the afflicted neighborhoods from which they came—and to which they will in return.

Sound Theoretical Basis

This understanding of the nature of threats to public safety was conveyed some years ago, by experienced community police officers, but we have more recently discovered its roots in Routine Activity Analysis and Crime Pattern Theory. The former explains crime as the confluence of a motivated offender and a desirable target at a place and time when "controllers" are absent or ineffective. Control might be exercised by persons in protective relationship to a potential victim, by persons responsible for the place, or by persons in intimate or supervising relationship with the potential offender (*e.g.*, parents, wives, children, friends, employers, even security guards). These "guardians" of people and places are abundant in safe places.

If DOC could hire community supervision agents instead of additional correctional officers for new "beds", it could have had them on post, at high crime locations and working with the terrorized neighbors on improving their lives, liberty and safety. If only two agents, costing approximately \$100,000, could prevent just one inmate generating crime per month the state would save \$264,000 in operations costs at the prison and need 12 less cells constructed.

The net savings can be significant (over \$164,000 annually in O & M alone) even at such a small scale involving even of a few officers.

Through these agents, the Department could be exacting some punishment from offenders by enforcing requirements of labor on behalf of local community service projects (*e.g.*, restoring abandoned houses and otherwise adding to or upgrading the housing stock); it could be supervising the offenders intensively, ensuring their accountability and preventing their slide back to the anonymity that fosters crime; it could be helping them find and keep jobs; it could be working to bring businesses into the area; it could be working with police on crime detection and prevention strategies; and more.

Recommendations

- ▶ That the Department continue to refine the forecasting models and methodology that are used to predict the needs for beds and other corrections resources.
- ▶ That the forecasts by the Department recognize alternate scenarios in terms of sanctions and management approaches and provide cost related data for decision-makers in both the Executive and Legislative Branches.
- ▶ That increased emphasis on Field Operations staffing and programming be considered as an alternative to additional beds.
- ▶ That Field Operations continue to increase it's focus on positive community supervision in lieu of violating offenders back to prison who might be better served in another setting

C. CORRECTIONAL OFFICER COMPENSATION ISSUES

Recruitment and retention of correction officers are major concerns of the Administration and the Legislature. Competition for similar jobs in other states and with local government facilities have added pressure to the situation. The position of corrections officer is frequently used as a stepping stone to other law enforcement positions. This is true for all jurisdictions. The challenge is becoming particularly acute for the State along the Wasatch Front where new major facilities being brought on line by local governments are competing for corrections officers from the Draper and other state run facilities.

Compensation - A State Comparison

The Office of the Legislative Fiscal Analyst has reviewed compensation in surrounding states and at the local level. Though Utah is at the lower middle end of the scale when considering compensation compared with surrounding states, the State pay is the lowest when compared with the three largest comparable organizations at the Utah local level.

A salary survey for 1998 done by the Legislative Auditor General reports that the intermountain states average starting salary for a correctional officer is \$22,307 per year. Utah's current starting salary is \$21,029 or 5.73 percent lower than the intermountain west average. The data in the following chart details the states' current salary information.

Correctional Officer Salaries in the Inter-mountain States					
State	Entry Level		After Probation (or 1 year)		Probation
	Hourly	Yearly	Hourly	Yearly	
Colorado	\$14.20	\$29,532	\$14.55	\$30,270	12
Oregon	\$12.68	\$26,370	\$13.31	\$27,684	12
Nevada	\$12.36	\$25,698	\$13.41	\$27,886	12
California	\$11.54	\$24,012			9
Washington	\$11.53	\$23,976	\$12.08	\$25,116	12
Idaho	\$10.97	\$22,818	\$11.24	\$23,379	12
UTAH ¹	\$10.11	\$21,029	\$11.27	\$23,442	18
Arizona	\$9.91	\$20,604	\$10.39	\$21,604	12
Wyoming	\$8.86	\$18,420	\$9.43	\$19,620	12
Montana ²	\$8.08	\$16,796	\$9.50	\$19,766	6
New Mexico	\$7.75	\$16,120	\$8.72	\$18,143	12
Averages of 11 States	<u>\$10.72</u>	<u>\$22,307</u>	<u>\$11.39</u>	<u>\$23,691</u>	
Averages minus UT	<u>\$10.79</u>	<u>\$22,435</u>	<u>\$11.40</u>	<u>\$23,719</u>	
Federal Prison System	\$9.39	\$19,524			

Notes: ¹ Utah Correctional Officers get an increase after six months to \$10.38 per hour, then to \$11.27 per hour after a year. They do not have to wait to the end of the 18 month probation.

² Montana Correctional Officers get an increase after the first year to \$8.76 per hour and the second year to \$9.50 per hour.

Compensation - Local Jurisdiction Comparison

The Utah State Legislature has outlined through Utah Code 67-19-12.3 how compensation for corrections officers is to be calculated. The code states, “The pay plans for law enforcement officers, as defined under Section 53-13-103, correctional officers, as defined under Section 53-13-104,... employed by the state shall comply with Section 67-19-12, except that:

- (1) the market comparability of state salary ranges for law enforcement officers, correctional officers, and public safety dispatchers shall be based on a survey of salary ranges and survey of benefits of the three largest law enforcement agencies, three largest entities employing correctional officers, and three largest entities employing public safety dispatchers, respectively, of any political subdivision of the state; and
- (2) when determining compensation, the director shall consider the compensation under Subsection (1), internal comparisons, and other factors in order to allow the state to recruit and retain the highest qualified law enforcement officers, correctional officers, and public safety dispatchers.”

The Department of Human Resource Management surveys the three largest employers of corrections officers for the calculations. They are: Salt Lake County; Utah County; and Davis County. For salary adjustment and comparison purposes, the mid-range is listed.

The State correctional officer minimum salary is lower than the three largest comparable jurisdictions within Utah. The midpoint of the salary range is a better comparison. The following chart shows a comparison of the major entities required for comparison by state statute.

Salary Comparison

Governmental Entity	Salary Range	Steps	Mid-Range Salary
State of Utah - Correctional Officer	\$10.11 - \$17.87 / hour	31 to 52	\$13.99
Davis County - Correctional Officer	\$10.88 - \$17.93 / hour	No Steps	\$14.40
Utah County - Deputy Corrections Specialist	\$12.63 - \$14.86 / hour	23 to 30	\$13.75
Salt Lake County - Correctional Officer	\$13.03 - \$17.56 / hour	1 to 12	\$15.29

The positions are generally comparable and the benefits are very similar between the entities. However, county jailors do not usually have to supervise serious offenders for long-term incarceration as the State corrections officers must do. All positions require POST certification. Each of the entities except for Davis County requires a minimum period of service after POST certification or else the cost of training must be repaid. There are a couple of exceptions between the entities. Many jurisdictions establish contractual agreements with new employees for a minimum time commitment or the cost of training must be repaid.

State of Utah - The state position requires POST certification which requires a high school diploma or GED. A clothing allowance equivalent of \$43.75 per month is paid. Steps are 2.75 percent each.

Davis County - Davis County has no stated educational requirement, but requires POST certification which mandates a high school diploma or GED. A clothing allowance of \$60.00 per month is paid. The County has no steps. Increases are based on performance. They can range from 0 to 4.25 percent.

Utah County - Utah County requires additional education beyond high school. They prefer a bachelor's degree or comparable amount of work experience. A clothing allowance of \$390.00 is paid every six months. This averages to approximately \$65.00 per month. Steps are 2.35 percent each.

Salt Lake County - Entry educational requirements are the same as the State. There is a pay differential allocated for additional education. Incentive pay of

\$25.00 per month is paid for an Associate's degree, \$50.00 per month for a Bachelor's degree, and \$75.00 per month for a Master's degree. The County pays a clothing allowance of \$70.00 per month for the first year and \$50.00 thereafter. Steps are 2.75 percent each.

State Compensation Adjustment Policy

By law (Utah Code Annotated 67-19-12(4) and 67-19-12.3), the Department of Human Resource Management is charged with the responsibility of submitting a compensation package which incorporates market survey information of salaries ranges and benefits each year.

A job salary range midpoint position must be 11 percent or more below the comparable job salary range midpoint before an increase is recommended. The 11 percent figure used to determine whether or not market comparability adjustments are recommended is a *business practice* decision, rather than being law or rule driven. The State salary steps are 2.75 percent steps by current law. The 11 percent figure is a multiple of the 2.75 percent step increments.

For a time 5.5 percent was used as the standard, *but the costs have been significant enough* that a more conservative figure has been used. Those jobs that are 11 percent below the market at midpoint have received a two-step or 5.5 percent increase in the range and a one-step or 2.75 percent pay increase for the employee. The one step pay increase for the employee is in addition to whatever compensation adjustment is made by the Legislature. There was some justification in having a higher standard because it was thought that State benefits were a little higher than in private industry.

This is a conservative approach, since there is a year lag time between completion of the survey and implementation of the increase. Surveys are done on July 1 data. The information is then submitted to the Governor's office in October. Recommendations are made and the final decisions are made during the legislative session at the first of the year. Implementation is not done until the following July 1, a full year from the survey.

Salary survey now includes turnover as a factor.

Even with this approach, market comparability adjustments have not been funded for the past three years. The Department of Human Resource Management has added another requirement that an agency must satisfy before they recommend a market comparability adjustment. The requirement is that an agency must have an 11 percent or higher turnover rate in addition to being 11 percent or more below the comparable surveyed organizations. *Corrections officers have not been recommended for a market comparability adjustment for FY 2000 because they do not meet the salary requirements established by DHRM.* The turnover rate was not evaluated as such since the positions did not meet the 11% below market salary criterion.

Benefits

Benefits among the four largest operators of correctional facilities in Utah are comparable. The State has used private sector compensation comparisons and found that the State benefits are better (up to ten percent) in many cases. In the case of Corrections, the comparisons are with other governmental agencies. All the

major organizations use the Utah Retirement Systems, the same as the State. All offer medical, dental and life insurance, in most cases through Public Employees Health Program. Data prepared for the Law Enforcement and Criminal Justice Interim Legislative Committee indicated that the State benefits were greater than local government. Since many of the costs are fixed, the benefit on a percentage basis seems higher due to the lower base salary. The actual disparity between entities is not significant.

**Correctional Officer
Turnover**

Employee turnover is often cited by the Department as a symptom of low compensation. There are many factors that contribute to high employee turnover, including such things as benefits, duty hours, working conditions, and alternative employment opportunities. It is interesting to note that the state with one of the highest salaries also has one of the highest overall turnover rates. (Nevada)

There does seem to be a statistical correlation between salary levels and turnover rates between most states. Utah falls in the middle of the range when compared with other western states. The following chart is from the 1997 Corrections Yearbook.

**Comparative Turnover Data
1997**

	Turnover Prior To Completing Probation	Total Officers Leaving Agency	State	Correctional Officer Turnover Rate
New Mexico	45	196	23.0%	15.7%
Montana	1	56	1.8%	
Wyoming	15	58	25.9%	17.6%
Arizona	97	793	12.2%	17.0%
Utah		89		12.0%
Idaho		94		14.3%
Washington		140		6.6%
California	122	1,337	9.1%	6.6%
Colorado	72	116	62.1%	8.3%
Oregon	17	85	20.0%	7.6%
Nevada	17	212	8.0%	20.9%
Utah		89		12.0%
National Average	4,145	23,745	19.6%	12.9%

The records reviewed by the Legislative Fiscal Analyst Office included the Department of Corrections Termination Logs For 1997 and 1998 and the Department of Human Resource Management Vacant Position Reports. Turnover in the State of Utah is very similar to most jurisdictions. Approximately half of employees leaving State Corrections employment go to other law enforcement jurisdictions.

It is unclear from the reports how many actually went to other correctional officer positions, however, the number that can be clearly identified is only 3 persons in 1997. If counting the listing of “moving to county employment” (without other clarification) is added, it would be 11 or approximately 10.7 percent of those who left State employment. This is out of the 103 corrections officers that left in 1997. The 1998 figures (to date) continue to reflect an increasing trend of movement toward other law enforcement agencies.

State Correctional Officer Vacancies

At the time of the writing of this report, the State Correctional System had 67 correctional officer vacancies to be filled. The State and Utah County run continuous recruitment for these positions. Other positions in the state have similar vacancy rates. The vacancy rate is actually less than some other higher paid State positions, which may or may not have equivalent job requirements.

Correctional Officer	
Salary Range	- \$10.11 - \$17.87
Total Authorized Positions	- 566
Vacant Positions	- 67 positions or 11.8 percent

(It should be noted that the vacancy rate is higher than the state average at the Draper facility)

Social Service Worker	
Salary Range	- \$11.90 - \$17.87
Total Authorized Positions	- 206
Vacant Positions	- 29 positions or 14.1 percent

Human Service Lead Worker	
Salary Range	- \$13.27 - \$19.92
Total Authorized Positions	- 68
Vacant Positions	- 11 positions or 16.2 percent

Even though the numbers do not seem to indicate a significant problem at the present time, it is anticipated that as new correctional facilities are opened along the Wasatch Front, there will be an increase in the number of vacancies (and turnover rate) as employees leave to go to local jurisdictions for more money and greater advancement opportunities. This will have an even greater impact on the state system if a number of middle managers and supervisors choose to change agencies leaving a less trained first level management in the state prisons.

Recommendations

- ▶ That the Division of Human resource Management be asked to review the potential for loss due to newly opening local facilities and attendant job opportunities and provide the legislature with a recommendation for a market salary adjustment prospectively rather than as in the past, retrospectively.

D. WORKLOAD AND FORECASTS

Workload and Forecasts of Growth

Forecasting provides a quantitative basis from which to analyze the possible impact of policy changes on correctional populations and to estimate future facility needs.

Projections of prisoner numbers should be based on properly thought out assumptions regarding: 1) future demographic trends and trends in patterns of offending, and 2) trends in patterns of policing and sentencing, resulting from political and community perceptions.

Forecasting Models

The Utah Department of Corrections historically made a forecast that was based on a projection of admissions times the average admit length of stay for offenders. The model was underestimating the actual correctional populations.

Currently Corrections is using the trend line to forecast future corrections populations. At the current time this method is providing the most accurate results. The incarcerated population has grown by over 1,330 offenders since January of 1995. Since January of 1991, Corrections incarcerated population has been growing at a net of almost 500 offenders per year. If growth continues at the current rate, the state will need to find inmate housing for 450 to 500 new offenders each year for the foreseeable future.

Carter Gobel and Associates (CGA) Study

In the Correctional Systems Needs Study conducted in 1995 by CGA the following forecasting models were used:

1. Exponential smoothing: computer generated forecast based on a exponential smoothing model. Incorporates data from the past into a forecast of the future populations while smoothing out the impact of the most erratic months that have no systematic impact on the general growth trend.
2. Forecast based on the annual average rate of change in average daily population. The annual average rate of change is the average of the percent increase from year-to-year during the period.
3. Forecast based on the average annual rate of change of the incarceration rate. Using the historical average rate of change per year.

Admission trends from 1994 to 1998 show a net increase of 1.7 percent/month with an annual rate of growth averaging 450 inmates per year. (See Appendix A)

Concerns with Current Models

Under current trends these models (both DOC and CGA) underestimated the growth in Corrections occurring in the past three years due to changes which have increased length of stay for incoming offenders and increased incarceration rates. Average length of stay over the period 1985 to 1997 has changed from 19.8 to 20.77 months. (See Appendix B)

The growth in the incarcerated population has been caused by an increase in the length of stay of offenders and an increased incarceration rate. Although, incarceration rates grew each year, starting in 1995 the rate of growth significantly increased. Changes in legislation requiring longer lengths of stay has also increased the prison population. For example, the Child Kidnaping and Sexual Abuse Act of 1983 increased the number of sex offenders in prison by almost seven times.

Other Growth

Paralleling growth in the number of inmates will be a growth in the subsequent number of offenders on parole. Offender counts on probation will also continue to grow at high rates. (See Appendix C)

Utah's total crime rate has remained relatively stable over the past ten years. Between 1996 and 1997, Utah's total crime rate increased 1.7 percent from 5,813 to 5,911 per 100,000 population 18 years of age and older.

E. STATE VEHICLE USE

There are about 450 state owned vehicles in the Department of Corrections. The Analyst estimates that between 150 and 200 vehicles are authorized for commuting in this Division. Some officers do not work out of an office and their assigned vehicle is their office. Department data shows administrative personnel are given commuting privileges as well. The Analyst recommends that the Department review its vehicle use policy and report to the Joint Appropriations Subcommittee for Executive Offices, Criminal Justice and Legislature in the next session.

III ADMINISTRATION

A. UTAH DEPARTMENT OF CORRECTIONS (UDC) ADMINISTRATION - DIVISION OVERVIEW

The UDC Administration provides leadership, centralized administrative functions, and support services to the Department. The Department organization chart (included in the Executive Summary) details the different sections of Administration. The Department Administration includes several separate divisions:

1. Executive Directors Office - has direct administrative and leadership responsibility for the entire Department
2. Bureau of Internal Audit - conducts comprehensive audits of all Department functions based on a formalized risk assessment tool.
3. Financial Service Bureau - processes more than 300,000 documents in a year including payroll, purchasing, accounting, accounts payable, and annual budget document preparation
4. Human Resources Management Bureau - is responsible for recruiting, selection, personnel services, Americans with Disabilities (ADA) issues, and employee relations.
5. Law Enforcement Bureau - provides comprehensive investigative services in the areas of 1) criminal conduct by offenders, employees, and other; 2) non-criminal employee misconduct; 3) pre-employment background checks; 4) sex offender registration violations; and 5) other miscellaneous inquiries.
6. Facilities Management
7. Contracts and Records - is a consolidated section to manage the contract administration of the Department and assure appropriate accessibility and security of all records.
8. Bureau of Information Technology - provides customer service and information technology through planning, development, support services and training
9. Training (Currently being studied by the Legislative Auditor General) - assures qualified and up-to-date personnel for quality operations and management of programs and facilities.

The Department Administration encompasses 110.5 FTEs, including current vacancies. The chart below lists various State agencies and indicates the percentage of the personnel dedicated to “administration.” This is not a perfect comparison since each agency has different functions, however, it does give some indication of the differences in current administrative efforts between Utah state agencies.

Administration Staffing Levels

Agency	Total FTE Count	Administration FTEs	Percent Administration
Community and Economic Development	320.0	30.00	9.38 percent
Natural Resources	960.0	51.00	5.31 percent
Transportation	1,781.0	141.00	7.92 percent
Workforce Services	2,065.0	150.00	7.26 percent
Corrections	2,217.5	110.05	4.96 percent
Human Services	4405.64	369.55	8.39 percent

As the chart above indicates, Corrections has a very conservative departmental administration staffing profile.

B. Budget Trends

The following tables show the budget and FTE history for the Department Administration. There is an indication that the most recent years has seen a decrease in the total administration FTE count. Improvements in the use of technology and a change of management philosophy have managed the expenses of administering the Department.

A review of the administrative budget detail was made identifying major revenue and expenses. Administrative costs have increased an average of 5.94 percent per year for the last three years. The General Fund appropriation has averaged an annual increase of 3.09 percent. This compares with the total appropriated Department of Corrections budget increases of 16.83 percent per year over the same period. The FTE count has actually been reduced.

Administration Line Item - Program History

Programs	FY 1995 Actual	FY 1996 Actual	FY 1997 Actual	FY 1998 Estimated	FY 1999 Authorized
Executive Director	\$546,400	\$514,900	\$883,500	\$777,200	\$1,050,500
Bureau of Audit	385,100	378,600	422,200	547,600	465,100
Internal Affairs	649,500	708,000	644,500	523,400	630,400
Legal Affairs			7,100	223,000	175,700
Records	48,900	50,300	49,300		
Headquarters Building Costs	422,200	423,100	354,100	584,000	839,400
Facilities Management	476,600	486,200	525,200	427,900	373,100
Administration	333,900	306,500	261,100	225,400	426,200
Research	252,500	242,200	243,700	290,400	264,300
Personnel	698,300	690,400	793,200	771,700	843,400
MIS/DP	1,332,100	1,758,400	1,512,700	1,975,300	2,277,300
Financial Services	1,041,000	1,093,400	1,137,100	1,169,800	1,125,100
Training	845,600	817,800	822,300	693,600	697,900
Total	\$7,032,100	\$7,469,800	\$7,656,000	\$8,209,300	\$9,168,400
% Change	0.0%	6.2%	2.5%	7.2%	11.7%

Funding of the Administration Programs

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Financing	Actual	Actual	Actual	Estimated	Authorized
General Fund	\$7,173,700	\$7,772,700	\$7,643,900	\$7,838,900	\$8,385,700
Federal Funds	69,300	5,200			
Dedicated Credits	17,800	27,700	16,600	57,200	121,000
Transfers	50,000			294,800	355,200
Beginning Nonlapsing	224,100	155,900	434,200	324,900	306,500
Closing Nonlapsing	(480,400)	(491,700)	(438,700)	(306,500)	
Lapsing	(22,400)				
Total	\$7,032,100	\$7,469,800	\$7,656,000	\$8,209,300	\$9,168,400
% Change		6.2%	2.5%	7.2%	11.7%

Expenditures of the Administration Programs

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Expenditures	Actual	Actual	Actual	Estimated	Authorized
Personal Services	\$5,368,800	\$5,900,000	\$5,049,700	\$5,635,700	\$5,667,000
Travel	53,100	52,400	38,400	45,100	34,500
Current Expense	1,054,300	1,261,900	1,190,300	1,316,400	1,557,500
Data Processing	399,600	827,300	399,000	578,900	760,700
DP Capital	606,700	506,500	340,800	677,800	1,000,000
Capital Outlay	2,300	4,500	20,100		
Other / Pass-Through	(452,700)	(1,082,800)	617,700	(44,600)	148,700
Total	\$7,032,100	\$7,469,800	\$7,656,000	\$8,209,300	\$9,168,400
% Change		6.2%	2.5%	7.2%	11.7%
Standard FTE	130.57	114.05	112.51	106.05	105.32

Internal Auditing

Since the inception of the Bureau of Internal Audit in late 1983, numerous internal audits and other projects have been conducted to assist Department executives and managers in decision-making. Internal auditors perform systematic, objective appraisals of the diverse operations and controls within the Department.

In compliance with Utah Code Annotated 67-13-25, requiring audits of all correctional programs every three years, and Utah Code Annotated 63-91-101, the Utah Internal Audit Act, internal auditors determine whether:

financial and operating information is accurate and reliable; risks to the organization are identified and minimized; external laws, regulations and acceptable internal policies and procedures are followed; standards adopted by the organization are met; resources are used efficiently and economically; and legislative and executive mandates, and the organization's objectives are effectively achieved.

These determinations are made for the purpose of assisting members of the organization in the effective discharge of their responsibility.

C. HUMAN RESOURCE MANAGEMENT BUREAU

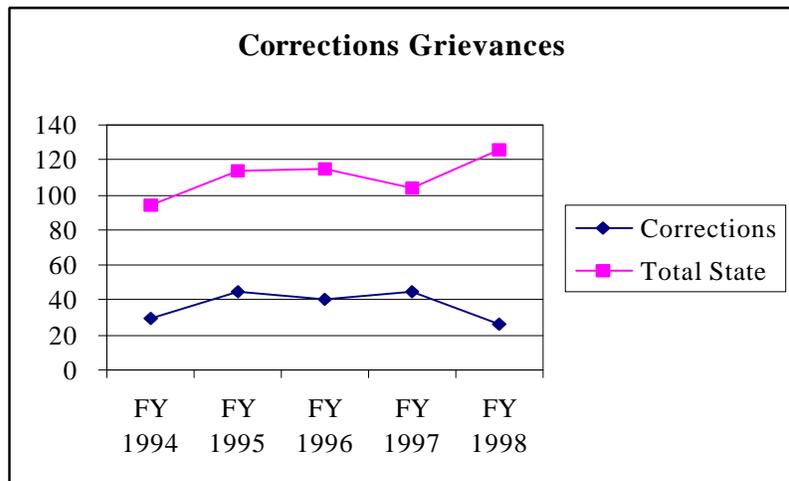
The State Department of Human Resource Management evaluated the human resource staffing levels appropriate in state government. The Human Resource Staffing Level Report, dated June 30, 1995 documents that the appropriate human resource staffing level in state government is one HR technician for every 100 employees. The Utah State average is .82 HR technicians for every 100 employees. The Department of Corrections is less than the general recommended staffing level but slightly above the State actual average at .879 HR technicians per 100 employees. The difference is not statistically significant.

1. Grievances

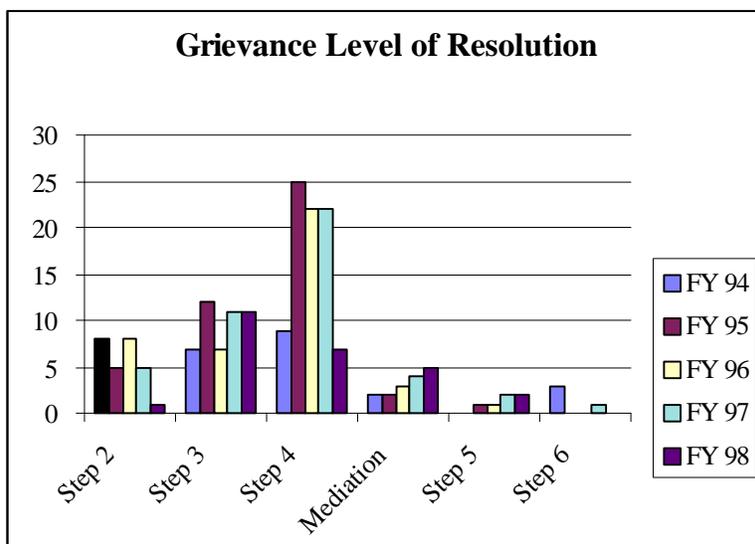
The number of grievances brought before the Career Service Review Board is often an indicator of employee moral and Department efficiency. The Utah Department of Corrections has historically had the most grievances of all State agencies. This may be the nature of the Department, a symptom of the working conditions, or just the type of work involved.

There has, however, been a significant reduction in the number of grievances brought to the Career Service Review Board during the last fiscal year. The number of new cases has dropped by almost 50 percent. Statistics so far for FY 1999 indicate that this downward shift in the number of grievances is continuing. The reduction of grievances file mirrors the change of Department management. The change of management philosophy and administration seems to have improved employee relations. Even though the State's total number of grievances increased in FY 1998, the Department of Corrections number was reduced by 50 percent.

The graph below details the statistical indicators.



The following graph displays the resolution step level at which the grievances have been resolved.



2. Training

The Department has developed a broad-based and comprehensive training and certification program for its staff in addition to the existing Peace Officers Standards and Training Academy funded under Public Safety. Centered on the Fred House Academy facility in Draper, the training unit provides:

- ▶ Preservice academy program
- ▶ The Conversion Academy which trains correctional officers to operate as police officers (the equivalent of POST certification).
- ▶ Basic supervision courses
- ▶ An Advanced Supervisor course
- ▶ Inservice classes
- ▶ Special courses: Example are: Blood-borne pathogens, Government Records Management Act (GRAMA), Americans with Disabilities Act, etc.

Special Note:

- ▶ **The Office of the Legislative Auditor General has advised the Fiscal Analyst that their office is conducting an audit review of the training programs of the Department of Corrections. So as to avoid a conflict of function and duplication of effort this report has not included an in-depth analysis of the Training Programs of the Department per se. Reference should be made to the Legislative Auditor General's Report 98-10 (November 98).**

Consolidation of Training

- ▶ For the last two years the Analyst has suggested that the Public Safety (POST)

and Corrections training should be consolidated and collocated to accomplish the economies of a single records and admissions office, a single audio video facility, common classroom, range, and gym use, etc. The Legislature included the following intent language in the Appropriations Act, item 28, House Bill 1, (1997 General Session) calling for a review of all law enforcement and correctional training.

It is the intent of the Legislature to authorize the Law Enforcement Training Committee (Committee), established by the Peace Officers Standards and Training (POST) Council, to continue for an additional year. The Committee, in conjunction with the POST Council, shall conduct a review of the Utah law enforcement and correctional training programs administered by state criminal justice agencies. The Committee's review shall include but not be limited to:

- ▶ *Assessing the physical and economic feasibility of combining the training programs under one agency.*
- ▶ *Assessing the specific training needs of Correctional and Peace Officers including inservice training;*
- ▶ *Assessing the myriad existing peace officer designations to determine if they are still practical or necessary;*
- ▶ *Assisting POST Council and Corrections in developing curriculum(s) to meet their respective needs;*
- ▶ *Identifying the fiscal, personnel, and facility needs to meet the committee's findings.*

An interim report to the Legislature has been provided, however, progress towards unification has been limited in anticipation of a co-location facility which has not been approved or built.

The Division of Facilities and Management, in cooperation with Corrections and the POST Academy, should review all options for a co-located integrated training facility. Particularly the Fred House Academy with the soon to be available spaces previously used for dispatch and the availability of land for additional structures as needed.

3. Retirement

The Public Safety Retirement Systems are defined benefit retirement plans intended to provide meaningful retirement benefits to employees. The Utah Retirement Systems manages Public Safety Retirement Systems manages systems includes eligible state and local governmental employees directly involved in law enforcement. This includes corrections officers employed by the State, Utah County, Salt Lake County, Salt Lake City, and among other local entities.

The Public Safety System consists of the Contributory and Non-contributory divisions. They are qualified tax-deferred plans under Internal Revenue Code Section 401(a). Those hired on a contractual basis are not eligible for membership.

If a person transfers from one covered public safety employer to another as an active member, the individual will become a member of the system to which the employer belongs. The laws that govern these retirement systems are set forth in Utah Code Title 49. The following Public Safety rates apply:

Contributory		
Member rates	Range -	10.50 percent to 13.74 percent
Employer rates	Range -	5.62 percent to 21.82 percent
Noncontributory		
Employer rates	Range -	17.09 percent to 33.68 percent

Some rates for specific entities are:

State of Utah	Noncontributory		23.14 percent
Salt Lake County	Noncontributory		17.42 percent
Salt Lake City	Noncontributory		33.68 percent
Utah County	Noncontributory		17.17 percent
Davis County	Noncontributory		17.42 percent
Provo City	Contributory	Member	06.2 percent
		Employer	20.15 percent

The difference between the Public Safety Retirement and the retirement of the rest of State employees is that retirement is only paid on base salary and not on overtime. It is also capped at 75 percent. The benefit is the same for any individual from the above mentioned organizations. One note is that Salt Lake City's rate is higher since their system had not been actuarially sound before they transferred to the Utah Retirement System.

Recommendations

- ▶ That the Department continue to limit the degree of growth in administration FTEs
- ▶ That the Department continue to reduce the number of grievances
- ▶ That the Department continue to develop plans for consolidation of training functions with Public Safety in a new training facility
- ▶ That the Department review all staff positions for the appropriateness of Public Safety retirement and , where appropriate, re-designate positions to regular retirement program status as they become available for such a change and qualified non-public safety applicants become available.

D. INFORMATION TECHNOLOGY

The Department of Corrections is becoming increasingly reliant on information technology to fulfill its mission. It has undertaken an aggressive initiative to

overhaul its record keeping system, is working to automate routine procedures, and must mitigate any two-digit date fields found in its aging COBOL-based systems before January 1, 2000. With so much on its IT plate, thorough IT planning and information sharing should be among the department's highest priorities.

**Technology Planning
Unrealistic**

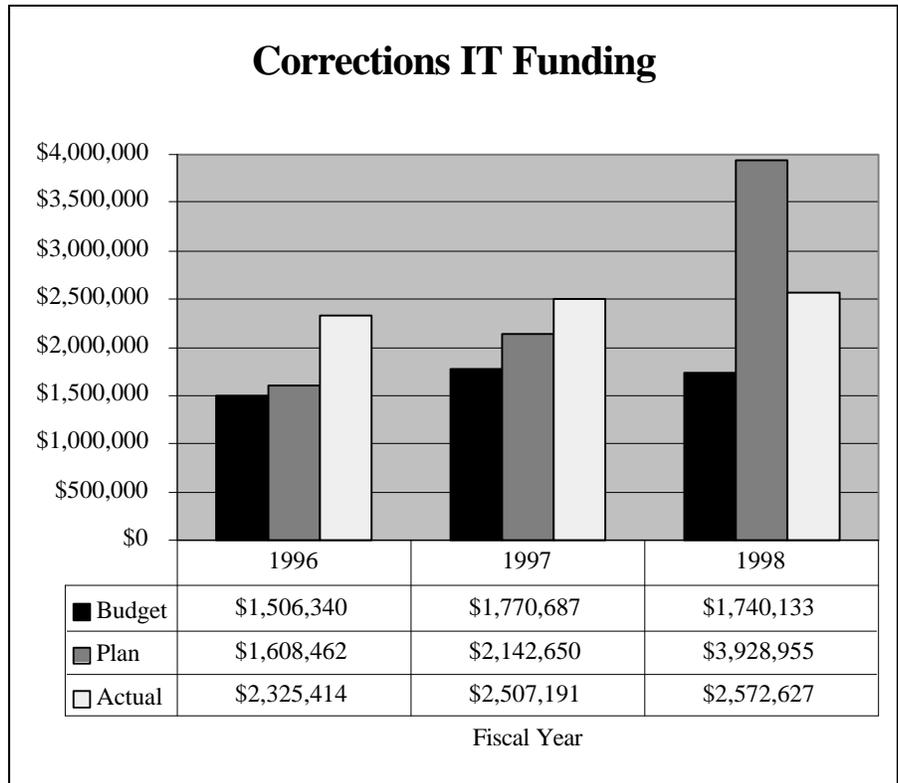
Utah state agencies are required by law to prepare twice-yearly information technology plans. The plans are intended to support the budget formulation process, and, in turn, reflect budget implementation. However, the Department of Corrections' IT plan does not adequately support appropriations decision making nor does it accurately reflect fiscal reality. As a result, systems management by the department, investment coordination by the Chief Information Officer, and funding decisions by the Legislature suffer.

The Utah Information Technology Act (Utah Code 63D-1-301(2)(c)) requires state agencies to submit semiannual information technology plans to the state chief information officer, who shall use them to develop "requests for appropriations for information technology equipment and personnel" and to "coordinate the acquisition of information technology equipment...and related services." The plans are to be submitted once "before the legislative session in which the budget request will be heard" and a second time per annum "no later than June 15 after the legislative session in which the budget request was authorized." This suggests that the law intends for the plans to be used, among other things: 1.) to support the annual appropriations process and 2.) to represent "work-plans" reflecting budgetary reality as determined in the appropriations process.

**Planning and budget
schedules out of synch**

In practice, however, the IT planning schedule runs counter to the budget formulation schedule (and the statutes), with new IT plans developed in the spring, at the beginning of a new fiscal year, rather than in the previous fall, when budgets are submitted. For instance, the department's FY 1998 IT plan was produced June 16, 1997, just before the 1998 Fiscal Year, and only slightly amended in October, in anticipation of Legislative session in which FY 1999 appropriations would be determined. Conversely, the department's FY 1998 budget was submitted six months earlier, on December 15, 1996, and updated to reflect appropriations action in June, 1997. As a result, the IT plan appears reactionary, rather than as a forward-leaning, pro-active investment strategy.

In its fall IT plan amendments, the Department of Corrections updates only those projects for which supplemental requests, one-time increases, or building blocks are requested. This approach avoids any pro-active planning for base resources, the largest portion of the IT budget. As a result, the plan cannot be used to accurately analyze departmental appropriations requests prior to the legislative session, as required by law. Therefore, the question remains, does the plan meet its other intended purpose, to act as a work-plan for budgeting and tracking IT expenditures during the fiscal year?



An examination of data from the state financial system (FINET) and the Chief Information Officer's planning database (Envision) for Department of Corrections programs demonstrates that no connection exists between the agency's operating budgets, its IT plans, and its actual expenditures.

This comparison of FINET object level data (including non-routine expenses like software and hardware acquisition, and not including ongoing expenses such as connectivity charges, central computing, and labor costs) and Envision hardware, software, contracting, and other expenses (not including labor), clearly shows that the Department's IT plan has not accurately captured IT costs during each of the last three fiscal years. In fact, in the most recent year, the plan called for more than twice as much as was budgeted.

**600 percent difference
between budget and plan**

One stark example can be seen in the area of hardware acquisition. In FY 1998 the Department budgeted \$528,000 for new computer processors and peripherals, while its IT plan called for more than \$3 million in new hardware. Corrections actually spent \$1,270,000 on these items, more than twice as much as budgeted, but less than half of what was planned.

Corrections officials explain that each year the Department's overall budget includes contingencies for unplanned events such as escapes. Should such events not occur, Corrections makes contingent funding available for expenditure on IT purchases, among other things. The instability of such funding sources makes IT planning difficult and often renders plans inaccurate.

Departmental managers also acknowledge that the Department's IT plan is more a "wish list" than a financially constrained systems architecture. They explain that the planned project categories are used internally to track spending once plans and budgets are approved, but that Corrections relies more heavily on experience than formal planning in making investment decisions.

While Corrections' plan is a good start, it does not provide sufficient information to support high-level funding decisions by the Legislature or comprehensive IT management by the Executive Branch. The "wishes" included in the plan are an important precursor to requirement generation and project selection, but they must not supplant a financially realistic prioritized investment analysis. The plan should be further subjected to a process which evaluates and ranks projects on their associated costs and benefits, incorporates the results of such analysis into annual funding requests, and in turn reflects budgetary reality in program implementation. In cases where IT projects are dependent upon the availability of contingent funds, Corrections' IT plan should clearly delineate such items from higher-priority projects, identify the funds upon which the items are dependent, and explain the programmatic impact should funds not become available.

Little accountability for IT Expenditures

As it has been established that Corrections' IT plan does not accurately project funding requirements, external stake-holders must rely on data included in the Department's appropriations request to analyze Corrections' information technology programs.

Unfortunately, the object codes in the state's incremental budgets do not relate directly to IT programs. Instead, accounting ties to general categories such as "data processing current expense" or "data processing capital outlay." For example, in FY 1998 50 percent of Corrections' IT spending (not including labor or ITS charges) was categorized as current hardware and software expenses under \$5,000 per unit. Similar patterns occurred in 1997 (51%) 1996 (64%). Obviously such categories alone do not provide transparency into programmatic goals and objectives, and are justified only as part of an established base.

While FINET includes a data field that agencies may use to tie object level data to projects, the Department of Corrections does not use this field. For example, Corrections FY 2000 base budget request is likely to include \$800,000 identified solely as object class "6618 DP Software Development." Only those familiar with Corrections budget history would know that this funding was added to Corrections' base in FY 1998 and FY 1999 for the Offender Tracking System (O-Track), and that the O-Track contract is scheduled to be completed at the end of FY 1999. Absent detailed reporting tying the object data to a project, either in the form of an

accurate IT plan or through the use of FINET's project field, decision makers may not realize that part of the base budget request is for a completed program.

To support informed decision making by the Legislature, in addition to improving its IT plan, the Department should begin to use FINET's "project" field to link planned projects with object level data. Further, it should treat major IT initiatives as one-time expenses with associated operations and maintenance costs, employing zero-based budgeting techniques such as is done with facilities construction.

1. Offender Tracking System (O-Track)

Included in Corrections' IT plan is a new system that will streamline processing of inmates from pre-sentence investigation through parole, and directly interface with Courts, Public Safety, and other primary stake-holders. The Offender Tracking System ("O-Track") will, by February, 1999, replace Corrections' current system, the Offender Based Statistical Comparison Information System (OBSCIS), at a contract cost of \$3.7 million plus as much as \$1.2 million for in-house labor costs. Measured against its baseline schedule and cost estimates, O-Track is currently on schedule, but as much as \$1.6 million over cost.

Unanticipated enhancements cost \$1.6 million

As part of the spiral development process, Informix and Corrections host "Joint Application Development" (JAD) sessions once every six weeks. During the JAD sessions, Corrections employees make recommendations on how to improve the functionality of the system. This evolutionary development approach has led the O-Track team to accommodate a number of user requests not initially anticipated in the Informix bid. In the Field Operations module, for example, the team has included caseload management for agents and an audit function for supervisors, both of which improve administration, but are not directly linked to inmates and were not envisioned in Informix's original bid. According to team members, \$1.6 million in such enhancements had been requested by users, and approved by managers, as of May, 1998.

Productivity has exceeded expectations.

Corrections employed an innovative method in acquiring O-Track. Rather than dictating detailed specification to potential contractors, Corrections published functional requirements, leaving it to vendors to determine the most effective and efficient path for realizing desired outcomes. The result was a contract with Informix that uses a technique known as "spiral development" in which the vendor divides the system into modules, works with users to identify requirements for a module, then builds, tests, presents, and refines the module to user specifications before repeating the process with the next module. Under the spiral development rubric, Corrections managers have considerable flexibility to modify the system without incurring change penalties.

With this approach in mind, the O-Track development team also prepared a project plan that contains traditional milestones and units of work to facilitate measurement of progress and productivity, but does not bind either Informix or Corrections. The team's plan estimated total cost and schedule targets based on a presumed number of screens and tables required for each module, and the number of labor hours required to produce such. Developers originally estimated

productivity in the range of six days per screen, but surpassed this target within three months of the project. Nevertheless, the team's baseline assumptions are useful in determining O-Track's status for a given
Corrections officials expect that these enhancements added to early modules will serve functions anticipated for future modules. Further, Informix's productivity has exceeded expectation. As a result, officials say, the additional early effort will be wholly offset by future savings. The officials also point out that the Informix contract terms are broad enough that Corrections can declare all requirements met once costs reach the projected \$3.7 million. However, should the remainder of the O-Track team's baseline estimates prove accurate, these enhancements will increase the cost of the Informix contract. Even given productivity improvements, should the forthcoming Prisons module, the largest piece of O-Track, require a level of effort similar to that experienced in the I-Track (Institutional Operations) and F-Track (Field Operations) modules, Corrections can expect a cost overrun of at least \$1.6 million.

Beyond the contracted portion of O-Track, Corrections has planned a large implementation role for its staff. In-house Corrections personnel will perform data conversion, provide training, and write user manuals, according to the plan. However, budgetary constraints have kept Corrections from hiring the additional personnel required to perform these tasks. The Department also foresees ongoing needs for systems maintenance funding, beginning with \$235,000 in FY 1999.

The Fiscal Analyst believes that these funding shortfalls can be addressed through an innovative financing mechanism pursued by Corrections. The Department has effectively sold O-Track to other states in exchange for hours of programming credit from contractor Informix. Corrections has already extended rights to the system to New Mexico and Alaska for the equivalent of \$1 million. Demand for the system is likely to increase in the next few years, given the fact that many states are desperate to replace aging, millennium plagued corrections systems.

2. Year 2000 Mitigation

In addition to the amount spent to replace non-compliant systems with O-Track, Corrections estimates the cost of Year 2000 mitigation in FY 1999 at \$103,000, representing a 14 percent increase over its FY 1998 costs of \$90,000. In total, Corrections plans to spend \$3.4 million on Y2K system replacement and \$199,000 on renovation activities. Given the importance of the task at hand, and the immovable nature of its deadline, Corrections must make the remediation of two-digit date fields its highest priority.

The Year 2000 – or Y2K – bug is linked to efficiency measures instituted by computer programmers. In an attempt to save valuable memory, early programmers, believing their work had a limited life-span, used two- rather than four-digit fields to identify centuries – “98” instead of “1998”. When systems employing this technique reach the millennium, two-digit date fields will show “00”, making it difficult for computers to differentiate between 1900 and 2000.

The largest Y2K issue identified by Corrections relates to its current inmate tracking and accounting systems. These systems run on dated Wang hardware

and/or are written in COBOL, a language that frequently used two-digit date fields. When these systems are replaced by O-Track, this Y2K problem will be moot. However, replacement faces the O-Track implementation obstacles mentioned above. Should the systems remain in service beyond 1999, Corrections will have to convert the system's two-digit date fields to four-digits, requiring 256 labor hours and \$12,000 to \$25,000 in additional funding.

The Department must also need to replace numerous embedded systems or "firmware". These micro-processors incorporated in mechanical devices like locks, valves, and switches, run on their own internal code – code which may contain two-digit date fields. Should these devices rely on date calculations to function properly, they may fail on January 1, 2000.

In its October report to the state Y2K coordinator, Corrections noted that 8 of its 11 mission-critical systems were 100 percent compliant. Two of the remaining systems, OBSCIS and Inmate Master were 80 and 90 percent renovated, respectively. The Inmate Accounting system, however, will not be renovated and must be replaced by O-Track. Of 47 embedded systems included in the Department's assessment, 13 are non-compliant and must be replaced.

Corrections will likely replace commercial hardware and software, including 386 based processors and Windows 3 generation operating systems, before December 31, 1998.

Corrections is making progress on replacing at-risk administrative systems and desk-top hardware and software, but it must redouble its efforts to eliminate risk of failure in Inmate Accounting and mission critical firmware. The Department should make Y2K its highest IT priority in the coming months, especially as it relates to embedded processors in its correctional facilities.

Recommendations

As explained above, the Analyst makes the following IT related recommendations to both Corrections and the State Chief Information Officer:

- ▶ That the Department should modify the IT planning schedule to correspond with and integrate into the state's budget cycle.
- ▶ That the Department should require in IT plans more complete life-cycle costs including acquisition, maintenance, operation, and disposal.
- ▶ That Department research staff should subject new programs to rigorous analysis of benefits to determine optimal investment and maximum return.
- ▶ That there should be a review of plans by senior officials to attain financial and policy commitment.
- ▶ The Department should directly link IT plans with appropriations requests prior to legislative session, and update plans to reflect funding realities after

appropriations process.

- ▶ That the Department staff should make use of existing FINET capabilities, including the “project” field, to link planned projects to object codes.
- ▶ That the Department should reduce or redirect to other priorities \$800,000 O-Track base budget beginning in FY 2000.
- ▶ That the Department should cover remaining costs of O-Track with proceeds from sale of system to other states.
- ▶ That the Department should make Year 2000 Mitigation highest IT priority for coming months.

IV FIELD OPERATIONS

A. FIELD OPERATIONS OVERVIEW

Field Operations was created as a separate entity within the Department in 1983 and fulfills the requirements of the corrections’ statute for pre-sentence investigations and community supervision. The Field Operations program is responsible for: 1)Adult Probation and Parole, and 2) Community Correction Centers (half-way houses).

The Division supervises more than 70 percent of those under department supervision.

B. FIELD OPERATIONS DIVISION ADMINISTRATION

Complicated Organization

Field Operations has grown from three to seven supervision regions defined geographically (with 16 Probation and Parole field offices, and the four Community Corrections Centers.) As management has grown, decision making has been pushed up the organization and away from field officers. Current best management practice is to reduce middle management and push decision making down the organization.

The Analyst recommends that Field Operations be reorganized back into three regions and that decision making be pushed down to the local level.

Complicated Policies

In an effort to make a rule for every conceivable situation, Department and Division policies have grown complex, voluminous, and consequently less useful.

The Analyst recommends that the Department and Division revise policies by establishing understandable general principles and holding employees responsible for wise implementation.

Training and Treatment are provided by outside agencies.

The key tools for reducing recidivism are training and treatment. The Division contracts with outside agencies for these services. Services include:

Agency	Program Focus
Project Turn Salvation Army	Developmentally disabled Residential substance abuse and emergency shelter.
Valley Mental Health Intermountain Sexual Abuse Ctr.	Psychological treatment and medication. Psychological evaluation and treatment for sex offenders.
Weber Co. Mental Health	Psychological evaluation and treatment of sex offenders.
Davis County A & D	Substance abuse

C. FIELD OPERATIONS - ADULT PROBATION AND PAROLE

Pre-sentence Reports adding workload

Probation and Parole provides the courts with pre-sentence reports prior to sentencing. These reports, covering the offender’s family, employment, education, substance abuse, criminal history, medical and psychological situation, etc., are accompanied with a recommendation for the court’s action. At the time of sentencing the court may order a 90-day diagnostic evaluation. After sentencing, offenders may be under probation supervision or, following a term in prison, under parole supervision. Following actual sentencing this report becomes the basis of an offender’s file for both Institutional Operations and Probation and Parole Service. The demand for pre-sentence reports is increasing. To accommodate the increasing workload and to keep officers in the field, the Department is contracting with qualified officers for pre-sentence reports on a per report basis. Last session the Legislature partially funded these contracts with \$400,000 in General Fund and \$200,000 in supervision fees.

Beginning September 1, 1993 probationers and parolees began paying a \$30.00 per month supervision fee. The revenue from this source goes into a fund for offender supervision programs. The history of these revenues is shown below:

	Rate	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	Est. FY 1999
Parole/Prob Fees	\$30.00	\$9,623	\$194,694	\$440,863	\$628,177	\$1,017,887	\$1,326,500
Home Confinement Fees	10.00			3,755	9,793	(1,830)	18,000
Total		\$9,623	\$194,694	\$444,618	\$637,970	\$1,016,057	\$1,344,500

The Analyst recommends that increased supervision fees be used to fully fund pre-sentence report contracting division wide. The Analyst also recommends that the fees be adjusted annually to the Consumer Price Index while recognizing that this would require a statutory change (Section 64-13-21(1)(b) UCA..

Costs for conversion to 800 MHZ emergency radio system

The new national radio frequency band for emergency services is in the 800 MHZ portion of the spectrum. Law enforcement and emergency services agencies throughout the country are converting to the new standard. In-car communications services throughout the Department will have to convert to the new system to be able to communicate with other law enforcement agencies throughout the state.

Over Use of On-call and Overtime

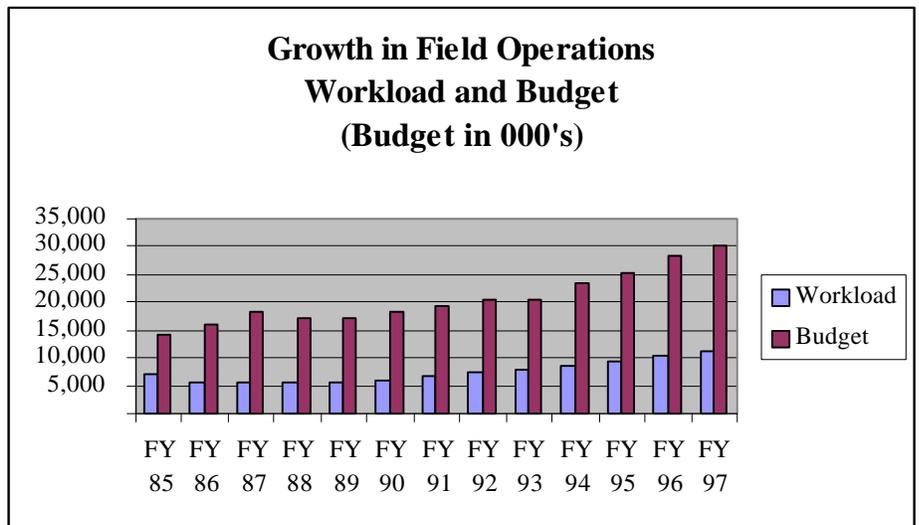
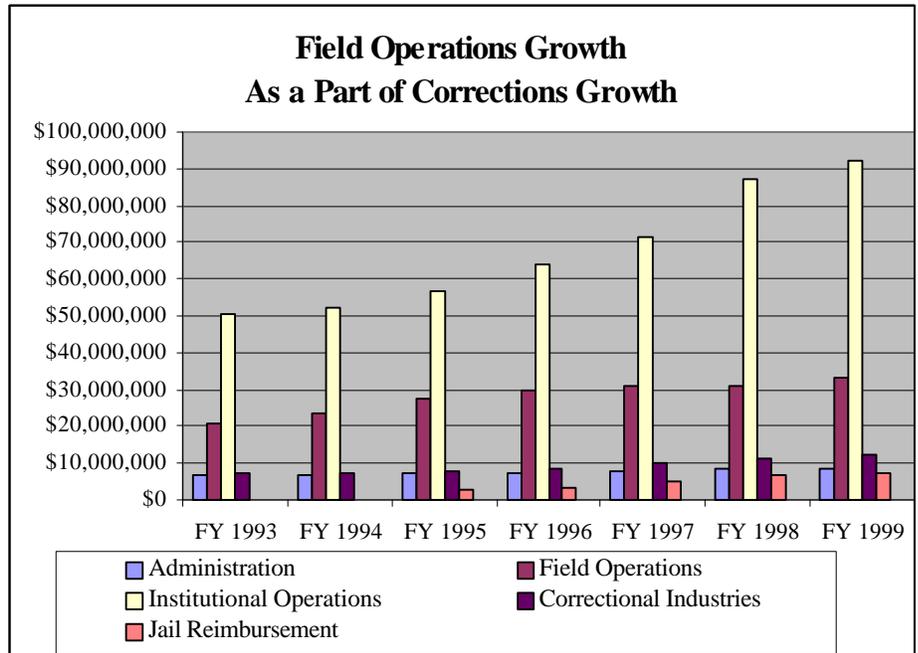
To offset workload demand, on-call time and overtime are widely used and have become an expected supplement to low wages. The Analyst recommends that the Department review existing policies and practices to keep on-call time rotated and limited to those few employees where immediate response is required.

Increase Public Safety by Reducing Recidivism

One of the truisms of corrections is that everyone that goes in, also goes out of prison and back to our communities. Field Operations’ job is to see that they don’t go back to their old problems but on to productive lives. Changing their lives is better for the

parolee and cheaper than prisons. Approaches vary from a strict law enforcement model where parolees are on their own and sent back to prison at the slightest infraction, to the human resources model where authorities work with the parolees to change their lives and tolerate some infractions. In recent years Utah has mostly followed the law enforcement model but the current administration is moving towards a balanced approach.

Probation and parole supervision are the foundation of the division, but, the budgets for Field Operations have not kept up with the growth.



With Field Operations budgets not rising fast enough to keep up with prison construction, the variable that has to give is the amount of time spent in supervision. The Division has implemented two ideas that have increased supervision time but have not implemented them fully. They have contracted out Pre-sentence Investigations to retired officers on a per investigation basis and assigned clerical staff to take care of routine court liaison duties.

The Analyst recommends continued implementation of these policies. The Department of Human Resource Management will need to determine if clerical staff needs reclassification.

D. FIELD OPERATIONS - COMMUNITY CORRECTIONS CENTERS

The Division also operates Community Correction Centers (half-way houses) and Day Reporting Centers. There are four CCCs, three in the Salt Lake Valley and one in Ogden. There is a Day Reporting Center in Salt Lake and one in Ogden. CCCs require parolees to have a job, pay for part of their costs, receive training and therapy, and be in residence. Day reporting centers are similar but have no residence requirement.

Currently there are not enough beds for temporarily indigent probationers and parolees. There are no centers in the state south of 2100 South in Salt Lake. The appropriations subcommittee has encouraged the Department to establish a community corrections center in the southern part of the state but the Department has been unable to locate such a facility.

The Analyst recommends that, subject to funding availability, the state establish community corrections centers in Utah and Washington counties and consider privatizing their operation.

Recommendations

- ▶ That increased supervision fees be used to fund pre-sentence report contracting division wide. The Analyst also recommends that the fee be adjusted annually to the Consumer Price Index and notes that this will require a statutory change.
- ▶ That the Department revise it's policy and practice to rotate and limit on-call time to those few employees in areas where immediate response is required.
- ▶ The expanding of the use of clerical staff for routine court liaison duties. The Department of Human Resource Management will need to determine if clerical staff needs reclassification.
- ▶ That the Department and Division revise policies by establishing understandable general principles and holding employees responsible for wise implementation.
- ▶ The Analyst recommends that the state establish community corrections centers in Utah and Washington counties and consider privatizing them.

V INSTITUTIONAL OPERATIONS

A. DIVISION OVERVIEW

The Division of Institutional Operations represents more than half of all adult corrections costs and over half of all department employees while supervising approximately 5,200 inmates in three separate state facilities and under contract in local facilities. With an authorized FY 1999 budget of \$93.9 millions, this division represents an average overall cost of approximately \$18,100 per year, per inmate. This overall number does not include the capitalization of facilities.

Summary

The Division Programs include the prisons and support facilities related to prison operations. Included in these programs are all services to and for inmates. This line item is broken down into the following budgeted programs:

- ▶ Division Administration
- ▶ Draper Prison
- ▶ Commissary
- ▶ Central Utah Prison (Gunnison)
- ▶ Iron County Prison (Cedar City)
- ▶ Camp Williams
- ▶ Promontory Pre-release/Violators Center
- ▶ Privatized Prison for Men (Proposed)

There is a constant shortage of inmate housing

The prisons are operating at or above operational capacity and routinely exceed the threshold for emergency release (64-13-38 UCA) for periods short of the statutory 45 days. Net growth in inmates is approximately 500 per year. This rate of increase is the equivalent of a new 500 bed medium security prison needed each year. How to manage the growing bed demand in the light of the current “get tough on crime” trend is one of the most challenging problems facing the subcommittee. (See Appendix C for growth in inmate population)

The proper mix of beds

The Legislature commissioned an independent study that affirmed the current estimates of prison growth in Utah. The study, by Carter Goble Associates Inc. affirmed the Analyst’s assertion that we have been inappropriately building to a higher security standard than we require.

Per Bed Costs of State Facilities

One of the principal considerations when reviewing the costs attendant to use of jails, prisons, or privatized facilities is the per bed costs. The Legislative Auditor General calculated that the actual costs of the jail beds has been under-valued. By adding “services” costs to the basic \$38 per day contracting cost they find the jail bed costs to be \$50.18. This figure is then considered comparable with the state prison per bed per day cost which is calculated at \$54 per day.

The Analyst notes that the prison per day per bed cost figure (\$54) does not include the state debt service on the construction bonds or repair and improvements done under the state AR&I programs. The Analyst also notes that a differential of only \$4 would equate to \$1,460 per inmate per year savings in daily costs.

Date 11/9/98

**SUMMARY OF
INMATES IN COUNTY JAILS**

Agency	Count
Iron County/State	81
Beaver County Jail	110
Box Elder County Jail	50
Cache County Jail	12
Carbon County Jail	11
Davis County Jail	7
Duchesne County Jail	138
Garfield County Jail	7
Grand County Jail	10
Iron County Jail	2
Kane County Jail	8
Millard County Jail	60
San Juan County Jail	54
Sanpete County Jail	6
Sevier County Jail	70
Summit County Jail	23
Tooele County Jail	2
Uintah County Jail	30
Wasatch County Jail	51
Washington County Jail	127

B. CONSTRUCTION COSTS

Prison Construction Costs

The Legislature has expressed concern over the cost of both youth and adult correctional facilities and has requested that ways to reduce these costs be reviewed. There are many factors in addition to bricks and mortar that drive the cost of correctional facilities. The costs of facilities can be driven by the institutional mission and management philosophies as well as statutory incarceration requirements. The discussion relative to cost reductions in Utah correctional facilities will include the following issues:

1. Current statutory or other regulatory requirements that may influence project costs.
2. Current management philosophies of the Department of Corrections that may impact project costs.
3. Comparison of recently funded State facilities with alternatives from other states.
4. Impact of inmate labor on construction costs.
5. Other issues for consideration
6. Summary and Recommendations

Statutory Requirements

There are no current statutes that specifically dictate what type of correctional facility the state should build. While laws that increase the incarceration rate or length of stay may dictate a need for more facilities, they do not dictate what type of facilities to construct.

1. Key Findings of the 1995 CGS (Carter Goble Associates) Study relative to the UDC classification system:

- ▶ **Unusually High Rate of Medium Security Assignments** - The number of new admissions assigned to the medium security level is high. This appears to result from both the wide security point ranges used plus a high use of the “other” category for system overrides. Over-classifying inmates adds demand for more secure, and more expensive, prison facilities.
- ▶ **Use of Higher Security Housing** - Decisions made by UDC staff at the initial classification of new admissions as well as periodic reclassification of all inmates creates a distribution of overall bedspace demand for specific levels of physical security. Consequently, the basis upon which major capital construction expenditure decisions are made by the State is largely formed by the volume of inmates which UDC assigns to each security level. The capital cost implications for Utah are obvious since higher security facilities cost much more to build than lower security facilities

It would appear the UDC has in the past, classified a larger proportion of its inmates into medium security and a smaller percentage into minimum than is generally found across the country.

- ▶ **Very Restrictive Criteria** - A relatively low number of inmates initially assigned to lower security may result from some very restrictive administrative criteria in addition to the factors specified on the Initial and Reassessment

Forms. Being highly restrictive may very well accurately reflect past and current State policy or attitude such as “zero tolerance” for potential escape irrespective of the inmate’s relative risk or threat to society. If zero tolerance is to continue then the State can expect to have to build more medium and high security facilities.

- ▶ **Utah’s Inmates similar to other states** - Thus, at least in terms of this limited data, it appears that Utah uses prison somewhat more selectively than many other states. In doing so, however, Utah unlike most other states, tends to primarily use higher security facilities and, until recently, a very limited capacity of minimum security facilities. Utah’s inmates, however, as measured by those having served a prior felony sentence do not appear to be significantly different from those in other states. (Utah Correctional Systems Needs Study).

The following table shows the distribution of prison beds in Utah as of November 1995 by physical security level compared to the U.S. in total and the average of seven western mountain states. The national and Utah ratios are about the same for maximum security. However, as shown both the seven mountain states and the national ratios for minimum security are almost three times as high as Utah’s.

From the CGA Study:

Comparative Physical Security Level Distributions

Location	Percent		
	Males	Females	Totals
Utah			
Maximum	12.3	12.7	12.4
Close	0.0	0.0	0.0
Medium	75.8	70.3	75.6
Minimum	11.9	16.9	12.1
Total	100.0	100.0	100.0
7 Mountain States			
Maximum	10.4	3.2	10.0
Close	13.5	17.0	13.7
Medium	43.9	34.9	43.4
Minimum	32.2	44.9	32.9
Total	100.0	100.0	100.0
United States			
Maximum	12.7	8.0	12.5
Close	14.6	6.4	14.2
Medium	39.8	33.3	39.5
Minimum	32.9	52.4	33.7
Total	100.0	100.0	100.0

- ▶ **Lower Security beds should be constructed** - Utah appears to be well-set in terms of the number of close to maximum security beds available today as

compared with minimum and medium security construction. In planning to meet short-range as well as some long-range new prison bedspace needs, Utah is fortunate in this regard since the relative cost of constructing higher security versus lower security prison beds is substantial. Utah can thus now give some priority to constructing lower security beds at least for the short-term although over the next 10 years some higher security construction will eventually be needed. (PVII-3)

CGA provided the following cost per bed estimates includes land:

Cost Per Bed

Minimum	Medium	Maximum
\$22,200	\$66,950	\$90,800

These estimates are inflated as of January 1, 1998.

2. Previous Management Philosophies impacted project costs

The introduction referred to the concept of “Maximum Flexibility.” Simply, this means that a prison is constructed to a security level that will accommodate all inmate classifications regardless of the mix. If all housing units are cells (versus dormitory), the facility can accept minimum, medium, or maximum security inmates. While this provides an easier management solution, the construction costs will be significantly higher. The previous DOC administration applied the maximum flexibility concept.

3. Current Department of Corrections Facility trends

The current administration of the DOC is moving in a direction consistent with the 1995 CGA study recommendations. In addition, many of the concerns expressed by the Legislative Fiscal Analyst in a June 1997 report to the Executive Appropriation Committee entitled Prison Construction Costs are being addressed.

The following table reflects the correctional facilities constructed or funded since 1995:

Correction Construction Costs (exclusive of land)

Facility	Year Comp	Const Time (from bid)	No. of Beds	Bed Type	Cost per bed	escalated to 1/1/99
Pre-Release/Parole Violators	1995	14 mo's	400	Min. Dorms	\$17,936	\$25,729
No. Utah Comm. Corr. Fac	1996	24 mo's	150	Min.w/cells	\$37,105	\$55,768
Draper - Uinta IV	1996	21 mo's	192	Med./Max	\$37,186	\$52,060
Draper - Uinta IVA	1997	14 mo's	192	Med./Max	\$46,067	\$59,403
Gunnison - CUCF I	1997	13.5 mo's	192	Med./Max	\$46,277	\$57,939
Gunnison - CUCF II *	1998	13 mo's	288	Min./Med Dorms	\$38,651	\$38,651

* Funded in 1998 - Estimated completion 10/1/99. Per bed cost does not include the sewer lagoon, or the UCI building which were part of the 1998 funding (FY 99).

From the table, it is noted that the most recently funded facility was for 288 dormitory beds to be located at Gunnison. The cost differential between the previous Gunnison project is significant. In addition, it is noted that as the number of beds increases, the cost per bed decreases.

DOC Five Year Plan

The current administration at the DOC has initiated a new five year plan to deal with the offenders population. The new plan was developed to address the following general concerns:

- ▶ Cost of construction is prohibitive
- ▶ Offender treatment and programming is deficient

Some of the innovations in the new plan include:

- ▶ Diversion of Parole/Probation Violators
- ▶ Dormitory rather than cell housing
- ▶ Private Prison Contracts
- ▶ Increased use of county jails
- ▶ Regionalization of Pre-release
- ▶ Privatization of Community Programs
- ▶ An end to Draper site expansion

Comparisons - Old and New Plan for Offender Housing

For comparative purposes, the following table reflects the old plan as presented to the 1997 Legislature versus the new plan as currently proposed.

Old and New Plans Compared

Old Plan			
Fiscal Year	Facility	Beds	Construction
1998	Women's	400	\$27,057,600
1998	Production Kitchen	0	11,789,900
1999	Women's remodel for Forensic	0	1,426,900
	CUCF II (esc. To 1/1/99)	192	11,124,300
	CUCF III (esc. To 1/1/99)	192	11,124,300
	CUCF IV (esc. To 1/1/99)	192	11,124,300
2000	CUCF V (esc. To 2/1/99)	192	12,014,200
	CUCF VI (esc. To 2/1/99)	192	12,014,200
	CUCF Minimum Sec.	250	12,000,000
2001	CUCF VII (esc. To 3/1/99)	192	12,975,300
	CUCF VIII (esc. To 3/1/99)	192	12,975,300
	CUCF IX (esc. To 3/1/99)	192	12,975,300
2002	CUCF X (esc. To 4/1/99)	192	14,013,324
	Total	2,378	\$162,614,924
New Plan			
Fiscal Year	Facility	Beds	Construction
1998	0	0	\$0
1999	Women's remodel for Forensic	0	1,426,900
	CUCF II	288	11,131,400
	CUCF - UCI Building		1,568,600
	Sewer Lagoon Expansion	0	800,000
	Private Sector Own/Operate	500	0
	Jail Contract	252	0
	Day Reporting Centers		
2000	Jail Contract	0	0
	Private Probation CCC		
	Day Reporting Centers		
2001	CUCF III	288	12,021,900
	Jail Contract		
	Private Probation CCC		
	Day Reporting Centers		
2002	CUCF IV	288	12,983,700
	Jail Contract		
	Private Probation CCC		
	Day Reporting Centers		
	Total	1,616	\$39,932,500

4. Private and State Cost Comparisons

The projected cost of the most recent correctional State facilities proposed is more competitive with a private sector comparable. The following table shows cost comparisons of the last two state facilities, a private sector facility, and a county jail.

Comparison - Private vs. State Construction Costs

Project	Year Funded	No. Beds	Sq. Ft. :		Amount Funded	Less: UCI Bldg	Less: Other UCI Site	Less: Other indirect supp.	Total	Cost per bed	Escalated to 1/1/99
			Housing & Direct Supp.								
CUCF - PH I Design-Bid-Build Med / Max all cells	FY 1997	192	41,730		\$13,970,000	(\$1,161,000)	(\$216,500)	(\$246,300)	\$12,346,200	\$64,303	\$68,611
CUCF - PH II Design-Bid-Build Dormitory	FY 1999	288	43,600		\$13,500,000	(\$1,568,600)		(\$800,000)	\$11,131,400	\$38,651	\$38,651
Private Sector Design-Build-Operate Wheeler & Coffee Counties, GA. 250 Cells 250 Dorms	1996	500	120,735		\$19,310,400				\$19,310,400	\$38,621	\$41,208
County Jail Washington County Design - Build 105 Cells 315 Dorms Cost includes an access road and conduit rough-in's for future expansion. Contact: John Willey, County Planner 634-5701	1996	420	90,000		\$11,900,000				\$11,900,000	\$28,333	\$30,232

The Analyst estimates that if the private facility was all dormitory, the cost could be closer to \$27,500 per bed (Promontory facility escalates by 33.45 percent). This is supported by the cost of the Washington County Jail, also noted in the table. The jail cost is \$30,232 per bed which includes 105 cells.

As noted in the table, the proposed 288 bed Central Utah Correctional Facility (CUCF) is actually less cost per bed than the private sector facilities. However, the private facility includes 50 percent of the beds as more costly cell construction, whereas the CUCF facility is all dormitory.

The additional costs for the State Facility can be mainly attributed to the use of the design-bid-build method, following prior architectural design and fewer beds being constructed.

The State has committed to traditional construction methodology at Gunnison.

As noted in the foregoing table, the private sector costs per bed are less than previously constructed state facilities. Arguments may be made that variables in geographic location and construction quality can account for some of this differential. However, the private sector facility already includes an additional 5 percent for potential Utah requirement enhancements. In addition, there is no conclusive evidence that construction materials are life cycle disadvantaged in private sector facilities. Therefore, aside from economies achieved by constructing larger facilities, the private sector realizes additional savings by using the “Design-

Build-Operate” process. Whereas, with the exception of the Promontory facility in Draper, the state has used the traditional “Design-Bid-Build” methodology.

5. Design-Build Process

In design-build construction, the same company, or partnership, both designs and constructs the facility, as opposed to the traditional method of hiring an architecture/engineering firm to design the facility and then start the competitive bidding process with a number of different contractors. With design-build, if there’s an error, the problem of the design team pointing at the construction team and vice versa is virtually eliminated. It’s the design-build company’s error, and that allows corrections to be made more quickly with minimal delays.

Building owners are attracted to design-build for a number of reasons, with the two major ones being (1) its inherent fast-track nature and (2) its single-source responsibility. Private correctional operators almost always use this approach. Quality is built in since the private firm must also operate the facility. (design-build-operate)

Design-Bid-Build

In traditional construction, called the design-bid-build process, the architect/engineer completes the drawings up to 100 percent, the owner buys that package, and then the owner warrants its completeness to the general contractor. **By comparison, in the design-build process, the warranty flows in the other direction-the design-build team warrants all work to the owner.**

In the opinion of the Analyst, the State of Utah could have reduced construction costs at the CUCF if the design-build approach was taken. However, once the current configurations and building types were completed under the traditional design-bid-build methodology, the state was locked into that approach for all future construction phases. Although the Department of Corrections is now modifying the facility interiors for dorms, it is interesting to note that CGA comment that the newer podular housing at Uinta are effective designs that for maximum security, death row, and segregation purposes for the system’s most dangerous, high risk, and most difficult to manage inmates.

Although design-build could be considered for future construction, the state has made local commitments to maintain the current architectural integrity. For example, the state must continue a podular design with split face block exteriors. Other states have found greater economies by using pre-cast concrete in a square or rectangular configuration, while not sacrificing non-contact direct supervision. Some states have experienced significant savings through the ability to competitively bid design work. The Analyst believes that the state must be willing to employ maximum flexibility in the approach to design and construction of new correctional facilities.

Department of Corrections has issued an RFP for a design-build, privately managed facility.

To date, the Utah Department of Corrections has not completed a true “design-build operate” facility with the private sector. However, the Promontory facility is currently managed by Management Training Corporation (MTC) of Ogden, Utah. In addition, Department of Corrections will contract for a privately built, owned, and operated facility currently under a request for bids.

6. The Promontory Experience

The 1994 Legislature authorized lease revenue bonding in the amount of \$6,800,000 for the construction of a 400 bed pre-release and parole violations facility. The design-build construction method was utilized. The facility was occupied in approximately December of 1995, with MTC of Ogden, Utah contracted to operate the facility. Once completed, Department of Corrections had major concerns about the facility, attributing most of those concerns to the design-build process that was followed.

The concerns have been used as an indication that the design-build process has many inherent problems and must be approached cautiously. However, the Analyst notes that most of the concerns were derived from either (1) minimal communication with Department of Corrections, the design build contractor, and DFCM (2) minimal involvement of the contract operator in the design and specification process, and (3) incomplete data requests in the Request for Proposal (RFP). All of these issues should be relatively easy to correct.

However, the Analyst also notes that some of the Department of Corrections concerns may be too restrictive to allow for the full economic benefit of a design-build approach. There should be a balance between least restrictive and functionality. Other states have experienced this balance using the design-build-operate approach. When the operator must also build the facility, many of the concerns noted in the audit are eliminated. The Analyst notes that some of the private sector companies contacted indicated that Utah has a tendency to “overbuild” their facilities.

Promontory Facility not used for purpose intended.

When originally presented to the Legislature, the Promontory facility has represented as housing for inmates preparing for parole. They were to be taught basic skills such as how to open a checking account, get a drivers license, or write a resume. Inmates within 90 days of their parole date were eligible to enter the facility. Promontory was also sold as parole violator facility to provide short term support for those having transitional difficulties.

However, in reality, Promontory became simply a housing unit for minimum security inmates. Although the contract with the private provider (MTC) specified that specific programs should take place (job search, training, counseling, etc) the ultimate direction given to note was that Promontory was to hold prisoners. The average inmate stay was 180 days twice as long as sentenced. The current administration at the Department of Corrections is in the process of moving Promontory back to it’s original intent.

7. Inmate Labor can reduce Construction Costs

The 1997 Legislature passed the following intent language:

It is the intent of the Legislature that the Department of Corrections, in conjunction with the Division of Facilities Construction and Management, develop an inmate construction and facility maintenance program. The purpose of this program should be to expand inmate employment in construction related fields in order to provide training for the inmate and a cost savings to the State. The program should be able to identify specific areas for application to state owned projects, with emphasis on correctional facilities. The program plan should identify specific project savings with any offsetting costs necessary to achieve those savings. The facility budgets for FY 1999 should be prepared to include those components specific to inmate labor, with identification of the components and the anticipated savings.

As a result of this language a committee was formed with DFCM and the Department of Corrections to evaluate inmate use in prison construction. As of this writing, the committee has developed a draft proposal that includes the following issues:

- ▶ What other states are doing
- ▶ Utah experiences in using inmates in construction projects
- ▶ Private sector concerns
- ▶ Corrections concerns
- ▶ Committee discussions and recommendations
- ▶ Inmate construction training and experience

The draft proposal from this committee is as follows:

- A. Utah Correctional Industries expand its existing inmate construction program to include:
 1. On-site construction crews. This would begin on a small scale with the construction of the remodel of the Forensics Facility. Working with DFCM certain aspects of this building should be set aside for UCI. These projects could include landscaping, painting, some exterior concrete work such as sidewalks, rough electrical (conduit and fixtures, no wire hookup), etc. The bid specifications would go out asking for a bid for the entire project, and a second bid excluding the selected projects. This would provide a means to measure actual cost savings;
 2. Development of a metal fabrication plant for appropriate fixtures and furnishings for prison construction. Actual approval for this operation will require thorough cost analysis, UCI Advisory Board Approval, Public Hearing, etc;

3. Development of a pre-cast concrete panel operation. Actual approval for this operation will require thorough cost analysis, UCI Advisory Board Approval, Public Hearing, etc; and

B. In concert with one or more educational entities an apprentice program will be developed for inmates participating in UCI construction projects.

The amount of savings using inmate labor cannot be quantified at this time. However, the committee has roughly estimated that \$2.9 million to \$5.2 million might be saved on future projects. Future project estimates will identify the inmate labor components as directed by the intent language.

Geriatric and Special needs Facilities would reduce construction costs

Utah currently has 70 men and 3 women over age 60 incarcerated. Projections indicate that by the year 2000 this population will increase to 95. As previously pointed out, many of these offenders are housed in a medium/maximum secure sitting. Since most of these inmates do not represent a threat to the general prison population or the public, it seems they could be housed in a very minimum security level facility. Arizona is in the process of building a unit specifically for the elderly and physically disabled. Again, the Analyst refers to the lower cost per bed for minimum security facilities.

8. Recommendations - Adult Facilities

1. The Department of Corrections (DOC) should continue work to implement the recommendations of the 1995 CGA Study. This allows for more minimum and medium level facilities to be constructed.
 2. DFCM and DOC should continue with the development of the inmate construction program. This program should hopefully be ready for applications to the women's facility.
 3. The DOC should maximize the use of county jails to the fullest extent possible without compromising educational and treatment programs.
 4. When it is determined that new facilities must be constructed, consideration should be given to increasing the number of beds per project. The economics of scale should justify this action.
 5. The future plans for the CUCF (Gunnison) should be reviewed for possible adjustments to accommodate a revised prototype. The costs of the revised prototype should be comparable to private sector offerings or DOC should consider privatization of future phases and/or the entire facility.
-
1. The Promontory facility should continue to be converted back to the use as original represented to the Legislature.

VI PRIVATIZATION

Privatization Pro and Con

The overall issue of privatization has both supporters and detractors. Their arguments can only be evaluated from the readers perspective. For this reason both the arguments for and against privatization are provided. It should be noted, however, that the official position of the Office of the Legislative Fiscal Analyst was stated in a report titled Prison Construction Costs as follows:

“In terms of addressing the issue of reducing construction costs in correctional facilities, the Analyst concludes, at this point, that private sector design - build - operate would, in fact, reduce construction costs significantly.”

Subsequent recommendations for the FY 1999 corrections budget by both the Governor and the Analyst were affirmed by the Legislature. The main Appropriations Act (Senate Bill 1, 1998 General Session), item 28 (page 8) included \$1,890,000 for partial year funding of a Privatized Facility in FY 1999.

A. PRO

In a review of 14 studies a private research group found 12 represented savings of 5-28 percent.

An NCSL study reported savings in some states, increased safety in at least one instance, and a suggestion that the existence of the private facility brought overall costs down in public facilities.

Texas requires a 10 percent savings by the privatized facility. Florida requires 7 percent under state costs

Private prisons tend to hire and buy locally adding to the overall community economic activity. The increased tax base of the privatized facility also helps local school districts , cities and counties.

27 states have private prisons as of May 1998

Of the private facilities that are three years old or older 58 percent are American Corrections Association (ACA) accredited. Only 8 percent of government owned facilities are ACA accredited.

There is a higher incidence of lawsuits per capita in the public sector than in the private arena

Private management incentives are stimulated by the competition of the marketplace

Much of the private sector savings is from more efficient personnel and payment mechanisms

Private firms can design, finance, and build facilities quicker, and cheaper without adding to government debt loads

Government is designed to “steer” public policy. It is not an inherent requirement that government deliver the services to meet the policy.

Courts have consistently found that government contracting of detention facilities violates no inmate rights provided that minimum due process standards are maintained.

B. CON

Use underpaid, undertrained, and inexperienced officers.

Do inadequate background checks on private corrections officers.

Private firms provide less training for officers.

Private firms can go bankrupt leaving the state with inmates and no housing.

Private facilities cream the inmate population taking the easiest and least costly inmates.

Private prison officers have no qualified immunity as do public officers.

A private facility has a limited monopoly and can then hold the state hostage for additional costs since the state becomes dependant of the beds and cannot reabsorb the inmates readily.

Contracts aren't specific enough and the profit making firm takes advantage of the gaps in terms.

Private facilities cost the state in oversight and auditing in addition to the capitation rate.

Bids too often are evaluated on cost as opposed to quality.

Private operators and staff are not subject to the same procurement code standards and ethical restraints as the public system.

The state cannot shield itself nor it's contractors from civil liability if prisoner's rights are abridged.

States tend to impose a higher standard on private facilities than on those owned and operated by the state itself.

Intangibles

In addition to the public debate represented above there are at least two issues that are difficult to quantify and which can be viewed as either Pro or Con depending on the perspective of the reader. These are:

- ▶ The public employee sector is dependant on the continuation and growth of the bureaucracy
- ▶ Private sector salaries tend to be lower and eventually erode the salary structure of the public officers

C. PROTECTING THE STATE’S INTEREST

In consideration of issues raised in the above debate, the Analyst recommends that the state should consider a system of safeguards for the state’s interest. These safeguard mechanisms should reduce the risk to the state in any corrections privatization project.

Recommendation

Since privatization is the position of the Office of the Legislative Fiscal Analyst, and the Legislature, The following risk control strategies are recommended to protect the state’s interests when contracting with a private provider of correctional facilities:

Protecting the State’s Interest

State Interest to be Protected	Risk Control Mechanism
Obtain services at the lowest cost within a specified level of quality	1 Request for Proposals 2 Strict renewal conditions 3 Competitive bidding 4 Objective evaluation of proposals
Insure that services are provided in accordance with contract provisions	1 Standardize contract terms 2 Fixed billing and payment provisions 3 Build budget into contract
Service provider operating according to law, state and professional standards	1 Provider and staff to meet qualifications 2 State license and certification standards 3 Liability insurance/bonding 4 Legal and contract requirements 5 Department policy standards

VII MAINTENANCE

Maintenance

The Department of Corrections operates a broad variety of facilities including three separate prisons and four community corrections centers totaling approximately 5,000 beds. In addition to these facilities there are administrative offices, training facilities, regional and local offices, and support facilities for a corporate entity with almost 2,500 employees and a budget of just under \$170 million.

Since the cost of maintenance and utilities, over the useful life of a facility, will exceed the cost of construction the cost efficiency of maintenance is a critical budget issue. While good maintenance practice may extend the useful life of a facility a small percentage reduction in maintenance costs can represent a major savings to the state.

Both statutes, codes, and case law require that correctional facilities have special features not found on all state buildings, such as standby generators, elaborate but hardened fire systems, and extensive communications and security systems. Components of a comprehensive maintenance plan include: warranty validation, service contracting, and in-house staffing. Sensitive to this potential economy the Department uses the low-cost inmate labor for much of the routine maintenance within the facilities.

Typically maintenance costs for corrections facilities are measured on a per square foot basis. Because of the inherent efficiencies in scale larger facilities tend to have lower per unit costs. External cost drivers can include: weather, density of use (inmates), facility age, local labor costs, local utility costs, etc. National data suggests typical costs breakdown would be:

\$1.25 to \$1.75 per square foot for	Labor
.60 to .75 “	Materials

for a total cost of \$1.85 to \$2.50 per square foot per year for maintenance only.

Because of the co-location of a variety of differently budgeted functions and facilities in corrections facilities, discrete maintenance costs are difficult to isolate from maintenance and related costs shared by several different operations.

Estimates of Operations and Maintenance (O&M) cost for new buildings being requested, however, reflect an average cost between \$5 and \$6 per square foot (see the following chart) which is well within the national averages for such facilities.

Title	FT2	Beds	Construction Costs	Cost per Square Foot	Cost per Bed	Operations & Mainenance Costs	O & M Cost per Square Foot
Gunnison	42,000	192	13,970,800		72,765	210,000	5.00
Production Kitchen	35,000	na	11,896,800	340	na	210,000	6.00
Forensics (renovation)	3,000	na	1,440,189	480	na	0	0.00
Administration	53,708	na	6,391,354	119	na	268,540	5.00
CUCF II (Gunnison)	73,875	288	13,720,440	186	47,640	443,250	6.00

Recommendations

The Analyst recommends that the Department continue to isolate the O & M costs for each building/complex so that comparative cost analysis may be used to manage and evaluate O & M costs.

VIII CORRECTIONS EDUCATION

Introduction

The State of Utah provides educational services to inmates incarcerated in the State's prison system. Higher Education Institutions, Applied Technology Centers and Applied Technology Center Service Regions, and local school districts participate in providing this education and training.

Statutory Provisions

The current statutory provisions governing corrections education were enacted by the Legislature during the 1992 Legislative Session under House Bill 28. They are as follows:

53A-1-403.5. Education of persons in custody of Department of Corrections – Contracting for services – Recidivism reduction plan – Collaboration among state agencies – Annual report.

(1) The State Board of Education and the State Board of Regents, subject to legislative appropriation, are responsible for the education of persons in the custody of the Department of Corrections.

(2) In order to fulfill this responsibility, the boards shall, where feasible, contract with appropriate private or public agencies to provide educational and related administrative services.

(3) (a) As its corrections education program, the boards shall develop and implement a recidivism reduction plan, including the following components:

- (i) inmate assessment;
- (ii) cognitive problem-solving skills;
- (iii) basic literacy skills;
- (iv) career skills;
- (v) job placement;
- (vi) post release tracking and support;
- (vii) research and evaluation;
- (viii) family involvement and support; and
- (ix) multi agency collaboration.

(b) The plan shall be developed and implemented through the State Office of Education and the Board of Regents office in collaboration with the following entities:

- (i) local boards of education;
- (ii) Department of Corrections;
- (iii) Department of Workforce Services;
- (iv) Department of Human Services;
- (v) Board of Pardons and Parole;
- (vi) State Office of Rehabilitation; and
- (vii) the governor's office.

(c) The Legislature may provide appropriations for implementation of the plan through a line item appropriation to any one or a combination of the entities listed in Subsection (3)(b).

(4) The boards shall make annual reports to the Legislature through the Education Interim Committee on the effectiveness of the recidivism reduction plan.

**Corrections Education
Program Description**

Under House Bill 28 passed in 1992, the Recidivism Reduction Program or Project Horizon, as it is also known, was established as the State’s correction education program (see section (3)(a) above) and began in FY1993. The program is a nine component plan and based on a highly researched program initiated in Canada and now utilized throughout the world (McGuire, 1995, pg. 18). In addition to literacy and job skills, the plan is designed to provide important life skills training plus interagency support and family involvement thereby increasing the likelihood of a successful, law-abiding return to the free world for the offender.

The nine components of the program include: 1. Inmate Assessment; 2. Cognitive Problem- solving Skills; 3. Basic Literacy Skills; 4. Career Skills; 5. Job Placement; 6. Post Release Tracking and Support; 7. Research and Evaluation; 8. Family Involvement and Support; and 9. Multi Agency Collaboration.

**Performance Measures of
Project Horizon**

In January 1997, an independent report was released analyzing the effects of the Recidivism Reduction Program or Project Horizon on recidivism rates of participants.

This report presents results of an ongoing study of the effects of Project Horizon on reducing recidivism and thus accomplishing the goals set out in House Bill 28. Results are based on an analysis of data provided by the Department of Corrections covering 3,253 parolees since the program’s inception. Major findings in this report include:

- ▶ Project Horizon participant recidivism rates are significantly lower than non-Horizon rates.
- ▶ Anticipated long term recidivism rates for non-Horizon participants range from 71 percent to 90 percent. Corresponding recidivism rates for Horizon participants range from 61 percent to 72 percent. The point estimate for non-Horizon participants is 82 percent, for Horizon participants it is 65 percent, which represents a 20 percent reduction in recidivism. These values are in accord with previous studies, both locally and nationally.
- ▶ Even slight reductions in recidivism, at half the point estimates, can bring about large economic benefits. The project has a quick pay back and potentially can save the State of Utah millions of dollars in direct operating costs.
- ▶ The benefits of recidivism reduction and the associated decrease in crime are associated with large intangible benefits that amount to millions of dollars annually.
- ▶ The fundamental result is that because costs related to recidivism are large relative to education costs, even minimal reductions in recidivism have the potential for creditable savings. As such, the program appears to deliver a net benefit to the State of Utah.

Legislative Appropriations Overview

As stipulated under section (3)(c) of the law, the Legislature annually appropriates line item funding to the State Office of Education for basic educational services. The State Office of Education, in turn, contracts with the Jordan, South Sanpete, and Iron School Districts to provide basic educational services to State prison inmates at the Draper, Gunnison, and Iron County/Utah State Correctional Facilities respectively. Funding for post secondary educational services is provided by the Legislature to the State Board of Regents and by client tuition fees.

Public Education Expenditures

From FY 1996 through FY 1999, the State Office of Education funded \$8,429,064 for Corrections Education contracts from appropriations provided by the Legislature. The following table delineates this funding received by the school districts:

**Utah State Office of Education
Corrections Education Contracts
1995-96 Through 1998-99**

	1995-96	1996-97	1997-98	1998-99	Total
Iron	\$182,000	\$215,732	\$223,732	\$269,347	\$890,811
Jordan	1,106,605	1,197,873	1,232,873	1,312,616	4,849,967
South Sanpete	583,961	653,961	674,961	775,403	2,688,286
Total	\$1,872,566	\$2,067,566	\$2,131,566	\$2,357,366	\$8,429,064
School District					
Source: Utah State Office of Education, Salt Lake City, Utah, Selected Reports, 1998.					

Draper Facility: Jordan School District/South Park Academy

The Jordan School District’s South Park Academy educational institution directly delivers educational services at the Draper Facility by agreement with the Utah Department of Corrections. Post secondary educational services offered by the State Board of Regents at the Draper Facility receive administrative support from South Park Academy.

South Park Academy is an adult education program directly supervised by the Jordan School District Director of Applied Technology. South Park is under the jurisdiction of the Southwest Area Assistant Superintendent. The Applied Technology Director’s office provides fiscal management services for South Park Academy. The Academy is administered by an Education Coordinator. The Coordinator reports to the Applied Technology Director at the Jordan School District, and works under the advisement of the Adult Corrections Education Director and the Adult Basic High School Director at the Utah State Office of Education. The Coordinator’s office and support offices are located at the Draper Facility. These offices provide administration, coordination, and clerical support to all educational services at Draper. Reporting is maintained for clients receiving educational services or coordination of services.

South Park Academy delivers educational services from 176 to 198 days per fiscal year and instruction is provided from the hours of 8:00 a.m. to 8:00 p.m. The academy provides training in drop in and open classroom formats and, when circumstances warrant, a cell study approach where the instructor meets individually with clients in a highly structured security setting.

It is important to note that all institutionally incarcerated individuals under the supervision of the Utah Department of Corrections who are placed in county jails are eligible for educational service consideration. Funding dictates the number who can be served. Priority for services is considered by Federal and State guidelines, and institutional goals. In addition to the work it performs at the Draper Facility, South Park Academy coordinates and administratively supports educational services for State inmates who are housed in county jails which are located in the northern area of the State.

The following tables detail the staffing and number of clients served by the South Park Academy:

**South Park Academy Staffing
Draper Corrections Facility
June 22, 1998**

Position Title/Description	Number
Administrator	1
Administration Support Staff	4
Counselors	2
Site Support Staff	5
Post Secondary Support Staff	1
Special Services Coordinator	1
Educational Psychologist	1
Secondary Instructional Staff	9
Instructional Assistants	5
Total (Jordan School District)	29
Night School	various
Post Secondary	15
Total Staff *	44
* Plus various night time hourly.	
Source: South Park Academy, Salt Lake City, Utah, Basic Education Report, June 1998	

**South Park Academy
Draper Corrections Facility
Current Annual Number of Clients Served
June 22, 1998**

Category	Number
Basic Education	1,322
GED Certificates	74
High School Diplomas	54
Post Secondary	351
Post Secondary Certificates and Degrees	53
Life Skills	445
Total Being Served at Draper Facility	2,162

Source: South Park Academy, Salt Lake City, Utah, Basic Education Report, June 1998.

It is important to note that due to housing and security needs, many clients move in and out of educational services, in an open entry/open exit style of delivery.

The following tables provide breakdowns of expenditures by budget category and by Recidivism Reduction Plan Activity:

**Utah State Office of Education Corrections Education Contracts
Jordan School District/South Park Academy
By Budget Category
1995-96 Through 1998-99**

Budget Category	1995-96	1996-97	1997-98	1998-99	Total
Direct Costs:					
Salaries	\$706,771	\$765,695	\$791,129	\$860,563	\$3,124,158
Employee Benefits	241,245	273,507	277,934	307,397	1,100,083
Purchased Services	62,400	62,400	62,400	62,400	249,600
Supplies	21,000	20,000	24,040	12,378	77,418
Materials	17,000	16,797	13,000	10,000	56,797
Property					
Travel	3,000	3,000	4,000	2,000	12,000
Inservice Training	24,000	30,000	30,000	29,000	113,000
Other	9,176		3,000		12,176
Total Direct Costs	\$1,084,592	\$1,171,399	\$1,205,503	\$1,283,738	\$4,745,232
Total Indirect Costs	22,013	26,474	27,370	28,878	104,735
Total Costs	\$1,106,605	\$1,197,873	\$1,232,873	\$1,312,616	\$4,849,967

Source: Utah State Office of Education, Salt Lake City, Utah, Selected Reports, 1998.

**Utah State Office of Education Corrections Education Contracts
Jordan School District/South Park Academy
By Recidivism Reduction Plan Activity
1995-96 Through 1998-99**

Budget Category	1995-96	1996-97	1997-98	1998-99	Total
Administrative	\$84,847	\$89,332	\$89,341	\$89,323	\$352,843
Assessment	132,029	144,030	137,223	146,717	559,999
Cognition	175,562	210,505	251,576	268,983	906,626
Literacy	458,216	498,559	514,589	550,194	2,021,558
Career Skills (Occupational)	22,911	22,160	22,868	24,451	92,390
Job Placement (Job Seeking)	58,276	66,477	45,740	48,904	219,397
Post Release	61,419	55,397	57,175	61,130	235,121
Research and Evaluation					
Family Support	93,014	88,634	91,481	97,811	370,940
Multi-Agency Collaboration	20,331	22,779	22,880	25,103	91,093
Transition					
Unassigned Expenditures					
Total Costs	\$1,106,605	\$1,197,873	\$1,232,873	\$1,312,616	\$4,849,967

Source: Utah State Office of Education, Salt Lake City, Utah, Selected Reports, 1998.

Gunnison Facility: South Sanpete School District/Central Utah Academy

The South Sanpete School District’s Central Utah Academy educational institution directly delivers educational services at the Gunnison Facility by agreement with the Utah Department of Corrections. Post secondary educational services offered by the State Board of Regents at the Gunnison Facility receive administrative support from Central Utah Academy. The following table details the numbers of program completers at the Central Utah Academy:

**Central Utah Academy
Gunnison Corrections Facility
Number of Program Completers by Program
1992-93 Through 1997-98**

SVATC*									
Fiscal Year	Snow College	Utah State	Data Entry	Food Service	CAD	BIS	High School	GED	Total
1992-93	6	0	0	0	0	0	36	54	96
1993-94	10	1	16	0	0	0	24	49	100
1994-95	1	0	8	3	0	0	33	69	114
1995-96	7	0	3	3	4	0	24	54	95
1996-97	8	0	12	1	8	6	27	56	118
1997-98	5	0	10	2	7	0	43	80	147
Total	37	1	49	9	19	6	187	362	670
* Sevier Valley Applied Technology Center									
Source: Utah State Office of Education, Salt Lake City, Utah, Central Utah Academy Report, July 30, 1998.									

There were no post-secondary graduates in school years 1990-91 and 1991-92, as the Gunnison Corrections Facility only became operational in 1990. In 1990-91, there were 30 high school graduates and 25 GED graduates. In 1991-92, there were 25 high school graduates and 40 GED graduates.

The following tables provide breakdowns of expenditures by budget category and by Recidivism Reduction Plan Activity:

**Utah State Office of Education Corrections Education Contracts
South Sanpete School District/Central Utah Academy
By Budget Category
1995-96 Through 1998-99**

Budget Category	1995-96	1996-97	1997-98	1998-99	Total
Direct Costs:					
Salaries	\$374,252	\$386,608	\$457,398	\$531,488	\$1,749,746
Employee Benefits	153,335	165,593	178,199	224,417	721,544
Purchased Services		25,000			25,000
Supplies	1,000	5,000	10,000	9,000	25,000
Materials	12,500		5,000	3,000	20,500
Property	32,000	67,000	15,000	6,000	120,000
Travel	2,400	2,760	4,364		9,524
Inservice Training	1,000	2,000	5,000	1,498	9,498
Other					
Total Direct Costs	\$576,487	\$653,961	\$674,961	\$775,403	\$2,680,812
Total Indirect Costs	\$7,474				\$7,474
Total Costs	\$583,961	\$653,961	\$674,961	\$775,403	\$2,688,286

Source: Utah State Office of Education, Salt Lake City, Utah, Selected Reports, 1998.

**Utah State Office of Education Corrections Education Contracts
South Sanpete School District/Central Utah Academy
By Recidivism Reduction Plan Activity
1995-96 Through 1998-99**

Budget Category	1995-96	1996-97	1997-98	1998-99	Total
Administrative	\$81,013	\$79,892	\$83,372	\$117,889	\$362,166
Assessment	61,536	93,686	75,055	74,013	304,290
Cognition	64,866	40,187	85,868	118,892	309,813
Literacy	102,954	99,521	123,090	164,650	490,215
Career Skills (Occupational)	175,787	210,915	222,572	280,461	889,735
Job Placement (Job Seeking)					
Post Release					
Research and Evaluation					
Family Support					
Multi-Agency Collaboration					
Transition	41,436	53,000	45,730		140,166
Unassigned Expenditures	56,369	76,760	39,274	19,498	191,901
Total Costs	\$583,961	\$653,961	\$674,961	\$775,403	\$2,688,286

Source: Utah State Office of Education, Salt Lake City, Utah, Selected Reports, 1998.

**Iron County-Utah State
Correctional Facility:
Iron School District**

The Iron School District directly delivers educational services to State prison inmates located at the Iron County-Utah State Correctional Facility in Cedar City by agreement with the Utah Department of Corrections. Post secondary educational services offered by the State Board of Regents at the facility receive administrative support from Iron School District. The following table details some of the recent participation data of inmates in the educational services offered:

**Iron County-Utah State Correctional Facility
Iron School District Service Report
January 1998**

Category	Number
Fiscal Year-to-date Clients Served	154
Breakdown by Education Program:	
Literacy/Adult Basic Education	12
High School Completion	60
Southern Utah University	29
Utah State University	21
Project Horizon	86
Unduplicated Count	129
Source: Utah State Office of Education, Salt Lake City, Utah, Selected Report, 1998.	

The following tables provide breakdowns of expenditures by budget category and by Recidivism Reduction Plan Activity:

**Utah State Office of Education Corrections Education Contracts
Iron School District
By Budget Category
1995-96 Through 1998-99**

Budget Category	1995-96	1996-97	1997-98	1998-99	Total
Direct Costs:					
Salaries	\$116,677	\$134,774	\$140,863	\$179,227	\$571,541
Employee Benefits	40,504	41,853	48,773	56,454	187,584
Purchased Services	10,000	11,000	11,000	12,000	44,000
Supplies	2,444	10,559	5,126	5,341	23,470
Materials			5,000		5,000
Property		12,000	5,500	6,000	23,500
Travel	900	1,200	1,000	2,500	5,600
Inservice Training	800	800	800	1,000	3,400
Other	800				800
Total Direct Costs	\$172,125	\$212,186	\$218,062	\$262,522	\$864,895
Total Indirect Costs	\$9,875	\$3,546	\$5,670	\$6,825	\$25,916
Total Costs	\$182,000	\$215,732	\$223,732	\$269,347	\$890,811
Source: Utah State Office of Education, Salt Lake City, Utah, Selected Reports, 1998.					

**Utah State Office of Education Corrections Education Contracts
Iron School District
By Recidivism Reduction Plan Activity
1995-96 Through 1998-99**

Budget Category	1995-96	1996-97	1997-98	1998-99	Total
Administrative		NA			
Assessment	\$28,587	NA	\$18,847	\$26,401	\$73,835
Cognition	31,850	NA	42,755	52,909	127,514
Literacy	38,694	NA	82,448	90,702	211,844
Career Skills (Occupational) ¹	30,070	NA	32,000	40,981	103,051
Job Placement (Job Seeking)		NA			
Post Release		NA			
Research and Evaluation		NA			
Family Support	17,733	NA	12,121	14,227	44,081
Multi-Agency Collaboration	35,066	NA	35,561	44,127	114,754
Total Costs	\$182,000	NA	\$223,732	\$269,347	\$675,079

NA Data by Recidivism Reduction Plan Activity not available.

¹ Includes Job Readiness expenditures.

Source: Utah State Office of Education, Salt Lake City, Utah, Selected Reports, 1998.

**Summation and
Recommendations**

It is the policy of the State of Utah to provide educational services to persons in the custody of the Department of Corrections subject to legislative appropriation. Under the direction of the Legislature, the State Board of Education and the State Board of Regents are charged with fulfilling this responsibility. Under the current law governing corrections education (passed in 1992), the State Office of Education and the State Board of Regents have developed and implemented educational offerings and a recidivism reduction plan based on funding appropriated by the Legislature. A report released in January 1997 detailing the research findings of the State's Recidivism Reduction Plan determined that participant recidivism rates were significantly lower than nonparticipant rates.

Due to housing and security issues, increasing numbers of inmates, and funding constraints, public education and higher education service providers face significant obstacles in adequately delivering education and training services to the State's inmate population. The Analyst therefore makes the following assessments and recommendations:

4. Sources of Funding: The Utah State Board of Education and State Board of Regents should provide a complete breakdown of all sources and amounts of funding received and used for corrections education. This report should be provided on an annual basis with their budget requests to the Office of the Legislative Fiscal Analyst and the Public Education Appropriations

Subcommittee prior to each legislative session.

2. Funding Expenditures: The Utah State Board of Education and State Board of Regents should provide a complete breakdown of all funding expenditures for corrections education based on amounts spent on public education activities versus those spent on higher education initiatives. This information should likewise be provided on an annual basis with their budget requests to the Office of the Legislative Fiscal Analyst and the Public Education Appropriations Subcommittee prior to each legislative session.
5. Public Education vs. Higher Education Funding: Funding sources for corrections education should mirror funding sources for traditional education programs. The Utah State Office of Education should fund students who would normally qualify for K-12 funding were they not in the system (for example, those 18 and under or those with Special Education needs). Funding for adult education should flow through the Utah System of Higher Education. The USHE and USOE should work with the Department of Corrections to ensure that delivery of courses is provided by the most appropriate agency.
4. Performance Measures–Cost Benefit Analysis: The Utah State Office of Education’s Corrections Education Specialist and Consultant in conjunction with the corrections education coordinators at the South Park Academy (Draper Facility), Central Utah Academy (Gunnison Facility), and the Iron School District (Iron County-Utah State Facility in Cedar City) should develop a standardized measurement process and a standardized “cost/benefit performance measure report” delineating the annual results of all correction education activities including programming provided, numbers of inmates served, numbers of program completers, and recidivism rates. This report should also be provided on an annual basis with their budget request to the Office of the Legislative Fiscal Analyst and the Public Education Appropriations Subcommittee prior to each legislative session.
5. Transferability: The Utah State Office of Education’s Corrections Education Specialist and Consultant in conjunction with the corrections education coordinators at the South Park Academy (Draper Facility), Central Utah Academy (Gunnison Facility), and the Iron School District (Iron County-Utah State Facility in Cedar City) and the appropriate corrections administrators develop and implement a set of policy guidelines designed to ensure that inmates enrolled in education programs are not denied the opportunity to complete them due to transfers.

Final Statement: “It must be remembered that most prisoners will come out of prison and back into society. How they come out, and what we do to change their potentials to be productive additions to society, rather than drains on its resources, is a policy decision.”

IX HIGHER EDUCATION IN THE CORRECTIONS SYSTEM

Summary

The Utah State Board of Regents, the governing body for the Utah System of Higher Education (USHE), is required by statute to provide a corrections education program. Section 53A-1-403.5, part (3) (a) of the Utah Code calls for the State Board of Regents, in cooperation with the State Board of Education, to "develop and implement a recidivism reduction plan that includes the following components:

- Inmate assessment;
- Cognitive problem solving skills;
- Basic literacy skills;
- Career skills;
- Job placement;
- Post release tracking and support;
- Research and evaluation;
- Family involvement and support; and
- Multi-agency collaboration."

The USHE offers both vocational and academic programs at prison and jail facilities throughout the state. The majority of courses delivered come from Salt Lake Community College and Utah State University. SLCC provides a vocational program at the Timpanogas Facility in Draper and USU provides prison facilities throughout the state with satellite downlinks as part of their extension program. In addition to the SLCC and USU efforts, Southern Utah University operates an ATE course in Culinary Skills at the Iron County facility.

Appropriation to Higher Education for Prison Programs

The Legislature appropriates \$300,000 per year to the State Board of Regents to offset costs in the prison education programs. The SBR distributes the funds in the following manner:

USU	\$129,000
SUU	2,000
Snow/SVATC	62,000
SLCC	<u>107,000</u>
Total	<u>\$300,000</u>

Each institution counts student inmates as part of the general student population, and the state funds the growth through the budget process for Higher Education. However, tuition cost for inmates is only \$45 per person for a quarter, regardless of how many hours are taken by the individual.

The following table shows the number of Full Time Equivalent (FTE) Students by institution:

USU	107
SUU	15
Snow/SVATC	22
SLCC	<u>72</u>
Total	<u>216</u>

Expenditures exceed revenues

At the two largest providers of prison education programs (SLCC and USU), expenditures exceed funding by a substantial amount.

School	Revenue	Expenditures	Deficit
Salt Lake Community College	\$653,100	\$828,069	(\$174,969)
Utah State University	\$129,000	\$194,897	(\$65,897)

In order to cover expenses incurred at the prison, the schools must use funds from other areas. At the Timpanogas facility, for example, the Corrections Department requires that instructors be full time faculty. This increases costs for Salt Lake Community College resulting in an increase in the number of adjunct faculty used for programs delivered to traditional students on campus.

Issues and Concerns

Current leadership in both the Department of Corrections and in the Utah System of Higher Education demonstrates a strong commitment to the prison education program. Adequate space is provided for vocational and distance education, curriculum is strong and instructors show a commitment to fulfilling the mission of the program. In several site visits to correctional facilities, the Analyst noted that classrooms were equipped with modern equipment and that students were engaged in meaningful exercises related to their course of study.

The Analyst noted the following issues that should be addressed by both the USHE and the Department of Corrections:

- ▶ Inmate transfers occasionally remove a student from a program in which he or she is showing progress.
- ▶ Costs for post-secondary instruction are borne almost exclusively by the USHE and individual colleges and universities.
- ▶ Data for education programs are conducted for the prison system scarce and lack continuity from year to year.

Inmate Transfers

On occasion, the Department of Corrections must relocate an inmate to a new facility. These transfers may result from risk assessments, inmate requests or institutional needs for balanced usage of facilities. The Analyst found significant anecdotal evidence that prisoners were transferred from a facility offering a program of study to another institution that did not offer the same program. Not only does this disrupt the inmates academic progress, it results in wasted funding to hire instructors and purchase supplies.

Program Costs

The USHE is required by statute (quoted above) to provide education programs to prisoners. Due to tuition and book fee waivers, these programs are more costly than traditionally delivered courses, but are not funded to meet the extra costs. The

extra costs are borne mainly by the delivering institution, placing a burden on programs offered on campus.

Programs for Women

There are a limited number of programs offered for incarcerated women through Higher Education. Professionals in the Department of Corrections are leery of providing joint programs due to an increased security risk of having co-educational populations.

Data Collection

Agencies dealing with the prison education program are required to keep data on the effectiveness of the program. Over the years, data collection has not been a high priority, and data has generally been aggregated within the colleges. Beginning with Fiscal Year 1998, schools within the USHE began maintaining separate data for prison programs, allowing each institution to measure the amount of money spent on specific programs.

Recommendations

- ▶ The Analyst acknowledges the need for the Department of Corrections to professionally manage the inmate population. Inmates enrolled in academic programs should not be moved unless new risk assessments require a transfer or the prisoner's rehabilitation program necessitates an immediate move. The Analyst urges the Department of Corrections to work with the system of Higher Education to develop formal transfer policies that officially explain reasons for transferring students who are enrolled in the prison education program.
- ▶ In that the appropriation for prison education programs remains the same dollar amount as when it was first introduced in Fiscal Year 1993 although the prison population has increased. The Analyst believes that, in the absence of increased legislative appropriation, the Department of Corrections should assist in the deferment of excess costs incurred by colleges and universities.
- ▶ That the Department of Corrections develop a new set of guidelines that maintain the current level of security and allow for the use of adjunct teaching faculty in the prison education program.
- ▶ The Utah System of Higher Education is required to provide educational programs and to work with other agencies to report the effectiveness of the programs in reducing the rate of recidivism. In order to make this report, the System must maintain clear, concise and consistent data. The Analyst recognizes the effort put forth in Fiscal year 1998 to achieve this goal. Each year, the Utah System of Higher Education is required to report on the effectiveness of its recidivism reduction plan.
- ▶ That this should be done in a formal, written document that includes (but is not limited to) the number of students served, number and name of programs offered, number of degrees and certificates earned, recidivism rates of released participants and direct cost of instruction for each program. By such detailed reporting the accountability for the cost effectiveness of each program/course of study can be better evaluated.

X JAIL PROGRAMS

Jail Reimbursement

The 1993 Legislature recreated a jail reimbursement program (that had ended in 1990) to fund county jails for keeping offenders sentenced to jail as a condition of probation (House Bill 162). This bill provides funds to county jails for housing felons who are serving jail time as a condition of their probation. The Department manages the program and oversees that the disbursements are made to county jails. This is simply "pass through" money distributed by Department.

The bill also required the Department of Corrections to request jail reimbursement funds each year on a sliding scale so that after five years the program would be at full funding. First year funding (FY 1994) for this program was \$250,000. Funding for FY 1999 was \$7,428,200. Full funding for FY 1999, according to the statutory formula, would be \$9,769,600.

Jail Contracting

Contracting for jail beds in local jails helps relieve prison crowding and defers emergency relief. Although the cost differentials may not be as great as assumed in years past Jail Contracting may still be more cost effective than prison beds. The State has contracted with local county sheriffs for the housing of State inmates at local jails. There is a potential for savings to the State in this program. Additionally, there will be inmates both to and from other states on interstate compacts, and in other in-state non-prison facilities.

As of October 29, 1998, there were 751 inmates in this status. Using this figure the Operations and Maintenance (O&M) cost per inmate for jail contracting is approximately \$17,000 per inmate per year. (See section VIII, Institutional Operations, for discussion of jails total costs)

Utah also participates with other states in a compact which provides for the placement of inmates from one state in another state's prisons. Good management keeps the exchanges close to revenue neutral for the State. On any given day there may be as many as 68 Utah inmates in other states and a similar number from other states in Utah prisons. The Department has been very attentive to guarantee that the state does not operate at an exchange deficit and wind up "housing" other states prisoners per se.

XI MEDICAL

A. OVERVIEW

The State recognizes the requirement to provide medical, dental and mental health care to those incarcerated by the state. In the budgeting process a special line item is included for Clinical Services. However, local medical services for the Gunnison and Iron County facilities are carried in the institutional operations budgets of those facilities.

Both law and case history affirm that prisoners have a right to medical care and the state has a duty to provide that care. The Draper clinical area and medical and mental health units continue to serve the growing population with basic medical services.

Inmates are also entitled to reasonable dental care, but slowness in providing this care is not a violation of the reasonable provision of dental care. The rule of thumb is providing service similar to what is available to the general public. In an average week the Draper dental staff sees 215 inmates for routine dental care and emergency work. In addition some are sent to community dentists for specialized dental surgery.

Mental Health

A third major category of service is in the area of mental health care. Again the state has demanding responsibilities for the welfare of inmates mental health. Inmates enter prison with a variety of **preexisting conditions** that put inordinate economic pressure on the administration of health care. Because of the very nature of the corrections population, these conditions have a much higher incidence than the public sector generally. Among these are high rates of: drug and alcohol abuse, psychiatric disorders, suicide, trauma, seizure disorders, asthma, sexually transmitted diseases (including the HIV virus), tuberculosis, dental problems and hypertension.

Inmates have limited control of their environment. Medical care represents the facing of the “establishment,” and provides an inmate an opportunity to manipulate authority figures. For this and other reasons, inmates have a higher incidence of requests for medical services. This effort to achieve personal secondary gains add greatly to the cost and frustration of inmate medical services. Utah assesses a surcharge for supplemental (not requested by staff) medical services as a mechanism to control extra care/treatment requests.

B. UNIQUE MEDICAL PROBLEMS

HIV and AIDS

The HIV virus is known to be transmitted via IV-drug use as well as sexual contact and blood transfusions. While the incidence of AIDS in the general population has been increasing, the incidence within the prison system is growing at 2-5 percent per year. This is compounded by the fact that 90 percent of seropositive HIV shows some degree of immune deficiency within five years. Doctors believe that all individuals infected with HIV will become ill and eventually die.

Typically, correctional systems expect to spend between \$72,000 and \$130,000 for

hospitalization and treatment of a single AIDS patient.

Currently the prison system has 75 HIV positive inmates.

Hepatitis

The potential loss of life is much greater for Hepatitis than from AIDS. Fulminate Hepatitis B causes death within seven to 48 days with an average cost for treatment running from \$88,000 to \$155,000 per patient. Approximately 45 percent of the prison population is currently positive for Hepatitis B (projected to reach 60 percent by 1999) and approximately 60 percent for Hepatitis C (projected to 80 percent by 1999).

Aging population means increased medical demands

The percentage of inmates over the age of 60 has increased dramatically and will continue to do so. Data show this population uses one and one-half as much medical care as the general population. These individuals are more prone to chronic diseases, require much more prescriptions, particularly the more expensive medications, and use much more inpatient services when sent to the University Medical Center.

Need for an Extended Care Facility

Treatment of the elderly and terminally ill with their expensive diseases and treatments demand the system develop an extended care facility for the frail elderly and terminally ill within the next few years. In addition to the increased efficiencies in delivery of geriatric and related services to a centrally located senior population there would be an opportunity to house these inmates in a less expensive setting than the high medium facilities now being occupied by many of them. Lacking these facilities the state can anticipate extended legal challenges and inflated medical budgets for years to come.

The 1997 Legislature included the following intent in the Appropriations Act (item 31, House Bill 400, 1997 General Session):

It is the intent of the Legislature that the Department of Corrections develop a long term plan for the frail elderly and terminally ill that will provide 1) the requisite medical care, 2) mental health and grief support, and 3) education and family support components, while representing the most cost effective alternative or combination of alternatives. This plan is to be presented to the Judiciary Interim Committee by November 1996.

The report was presented as required. While the Department has complied with the intent through programmatic adjustments, the Analyst believes that a freestanding extended care facility should be considered.

Mentally Ill

For ongoing programming for the mentally ill and developmentally disabled there is a Special Services Dormitory (SSD) with 32 beds for the seriously **mentally ill** and 35 beds for less severe cases. The Special Services Dormitory is where treatment is provided for sex offenders, MR/DD, and other serious mental illnesses. This dorm is small, cramped and offers little space for therapy.

The in-house construction/renovation activities provided an additional 28-bed unit in B-north wing of the Wasatch Prison Facility (Draper) which has been converted to exclusive Mental Health acute care use.

The currently underway conversion of the existing woman's facility to a forensic facility should significantly improve the overall services to this population within the prison.

With the passage of the State Hospital Amendments Bill in the 1989 General Session, persons in the custody of the Department of Corrections who require mental health services, whether at the State Mental Hospital or at local mental health authorities, are the responsibility of the Department for funding. As a part of this obligation the Department is appropriated \$190,000 in General Funds , each year, which are paid to the State Hospital in Provo for forensic care.

1. **Special Note:**

- ▶ **The Office of the Legislative Auditor General has advised the Fiscal Analyst that their office is conducting an audit review of the medical programs of the Department of Corrections. So as to avoid a conflict of function and duplication of effort this report has not included an in-depth analysis of the Medical Programs of the Department per se. Reference should be made to the Legislative Auditor General's Report 98-08 (November 98).**

XII UTAH CORRECTIONAL INDUSTRIES

Statutory Authority

The Division of Correctional Industries is organized under authority of Title 64 Chapter 13a of the Utah Code Annotated.

Purpose

The Legislature's intention, as indicated by statute, is that Correctional Industries provide an environment for the operation of correctional industries that closely resembles the environment for the business operations of a private corporate entity. Included in this intent of the Legislature are four standards which Correctional Industries are to maintain. These are:

- ▶ The Division is to be a self-supporting organization.
- ▶ That it is profit-oriented.
- ▶ Revenue for operations and capital investment are to be generated by the Division.
- ▶ The Division assume responsibility for training offenders in general work habits, work skills, and specific training skills that increase their employment prospects when released.

In relation to the Legislature's mandate for Correctional Industries, the Division has developed the following mission statement:

It is the mission of Utah Correctional Industries to provide inmates with the tools necessary to be competitive and enhance the prospects of success in the free world. Utah Correctional Industries provides training and work experiences for inmates in the production of high quality products and the delivery of high quality services to government agencies and other approved customers. Utah Correctional Industries provides training and work experience in an environment that stresses performance standards comparable to those used by successful employers in the private sector.

Method

The Division of Correctional Industries creates business opportunities under the direction of the Advisory Board of Utah Correctional Industries. This board consists of seven members. The director of the Department of Corrections, or his designee, is a member. Along with him one each is appointed by the Speaker of the House of Representatives, the President of the Senate, and the Corrections Advisory Council. The Governor appoints the remaining three members. The members of the board are to have decision-making experience in production, finance, and marketing. The statute also requires that one member of the board represent labor.

Under the auspices of the Advisory Board, enterprises are created which allow the inmates an opportunity to work in operations which closely resemble business operations of a private corporate nature. The Division has chosen to operate those business enterprises which, when treated in a consolidated manner one with another operate at a profit.

This means that profitable business enterprises subsidize unprofitable operations when it is determined that the unprofitable entities contribute to an extent with the inmates that justifies the training nature of the operation over the profit orientation of the enterprise.

Organization

The Division of Correctional Industries is managed under the direction of the Division Director. He has been given responsibility, by the Legislature, to:

- ▶ Determine personnel needs and requirements of the program.
- ▶ Hire all subordinate personnel in accordance with state policy and procedures.
- ▶ Market and deliver correctional industry products and services.

In accordance with this direction the Division has been organized in the following manner.

Division Director

- A. Operations Director
 - 1. LAN Administrator
 - 2. Safety Officer
 - 3. Office Manager
 - 4. Financial Manager
 - 5. Purchasing Agent
- B. Internal Operations Director
 - 1. Production Manager
 - 2. Marketing Representative
 - 3. Furniture Production Manager
 - 4. Correctional Officer Security
- C. External Operations Director
 - 1. Agriculture Production Manager
 - 2. Correctional Officer Security
- D. External Operations Director
 - 1. Production Manager
 - 2. Marketing Representative
 - 3. Off-Property Production Manager

This organization's focus is on the security aspect of correctional employment. Due to the nature of the workforce, and their reason for being in a correction facility, the Division has determined to organize themselves in this manner.

State Accounting

All state operations are reported in the FINET accounting system. This system is specifically designed for governmental accounting. Governmental accounting is a specialized branch of accounting that has a focus somewhat different than conventional financial accounting.

In governmental accounting the major goal is to track the sources of revenue and

identify the nature of expenditures. Normally, depreciation of capital assets, matching of revenue with expenses, and tracking of inventories are not performed on governmental accounting systems. The Division of Correctional Industries has been mandated to operate under business standards. This requires the maintenance of accounting records normally unavailable on the FINET system.

Concerns with UCI Accounting

Because the Division operates manufacturing concerns, inventories for raw materials, work in process, and finished goods must be maintained in order to keep an accurate accounting of the costs involved in the manufacturing process. While these accounting methods are available and used throughout private industries, the Division is required to maintain these costs within the FINET accounting system. While this requirement makes sense for insuring that all State financial operations are reported, it raises the concern as to the accuracy of the reporting.

In order to insure that accurate financial detail is reported by the Division, they close their records annually and make adjustments to those records in accordance with generally accepted accounting principles. The concern is that these adjustments are only made annually, while the Division is required, by statute, to report quarterly. This concern is raised only to highlight one of the problems that occur when the State is operating an enterprise fund that reports through the FINET accounting system.

UCI Accounting Methods

Any business organization, in order to inform the readers of financial statements, must determine certain accounting policy and procedures. Correctional Industries identifies these in the notes to their financial statements in each financial report. The accounting methods chosen by a business entity can, in the short run, cause financial statements to vary substantially, depending on what methods are chosen. Some areas that can affect financial statements are the method used in to value inventories, how indirect costs are allocated among enterprises, and whether the operations of combined businesses are reported through combined financial statements or as a consolidation.

While these matters are concerned with the fine details of advanced accounting courses, and in some ways beyond the scope of this report, it is essential to be aware that methods chosen by the Division to report operations will determine which business ventures are “profitable” and which are not. In a specific instance, the Division has chosen to identify all general overhead independent of the operations of the various business enterprises. General overhead is defined as the costs incurred by the Division for the benefit of the entire Division and not just selected business ventures. An example of the that would be staff salaries.

Because they have chosen to segregate these costs, approximately \$1.5 million of expenses are not allocated among the various business enterprises that generate \$12 million in gross sales. To allocate those costs among the various business enterprises might offer a different view on whether or not some of them are profitable.

Inmate Employees

Obviously, businesses operated by the Division of Correctional Industries are

manned by inmate populations. This raises two concerns, security for the inmates and security from the inmates. Security for the inmates is a cost incurred by the Division already addressed earlier. How much freedom do you allow an inmate and to what extent can you utilize inmate labor before it becomes a security concern?

Inmates are housed in a correctional facility because of a past history of actions on their part which were deemed inappropriate in our society. Through Correctional Industries we are allowing them some freedom in order to help reintroduce them into society after they serve their allotted time. Inherent in this freedom is the chance that an inmate could manipulate the system.

Summary

Correctional Industries in the State of Utah is one of the most successful in the nation in terms of number of inmates employed.

While the Division seeks to identify business opportunities that would enhance their program and broaden the inmate population affected by their operations, they continually start and eliminate business ventures. This process is appropriate since they are not mandated to operate for profit purposes, only to operate at a profit.

Additional space at the Gunnison facility will be available upon completion of construction currently taking place. When that space is available additional Correctional Industries activity will take place at Gunnison.

Financial Statements

The following is the most current financial statement for UCI operations. Included, as Appendix F, are the analytic/auditing comments and notes to those financial statements.

Recommendations

The Analyst notes that the states General Ledger Accounting System (FINET) is not designed to accommodate manufacturing operations. The Department should develop a subsidiary ledger system for manufacturing operations which would be an input for the FINET system.

That the UCI should develop a logical apportionment system for overhead costs so as to get true costs and profit margins from it's various operations.

Note 1

Summary of Significant Accounting Policies

The accompanying financial statements for Utah Correctional Industries (UCI), have been prepared in compliance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board.

Preparation of the financial statements in compliance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The accompanying financial statements present the financial position UCI, the results of operations at UCI, and the reporting of cash flow of a proprietary and nonexpendable trust. The financial statements are presented as of June 30, 1998, for the year then ended. The financial statements include the various shops and other organizational units of UCI.

Reporting Entity

For financial reporting purposes, the financial statements of UCI are included in the State of Utah's Comprehensive Annual Financial Report. Also in accordance with the Utah Code Unannotated 64-13a-8, UCI provides the accompanying financial reports to the Governor and Legislature.

Fund Accounting

The financial activities of UCI are classified by the State of Utah as an Enterprise Fund. Enterprise funds account for operations similar to a private business enterprise. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The intent of the State is that the cost of providing goods or services to the public on a continuing basis should be financed primarily through user charges.

An Enterprise fund is comprised of governmental and quasi-governmental agencies providing good and services to the public on a charge-for-service basis. Utah Correctional Industries (UCI) was established to provide employment for inmates at the Utah State Prison. UCI manufactures and sells such items as license plates, furniture, highway signs, dairy and meat products, and provides printing and other miscellaneous products and services. Funding comes from charges for its products and services.

Basis of Accounting

The accounts of UCI are reported using the accrual basis of accounting. Under accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred. UCI applies all GASB pronouncements and all applicable FASB pronouncements issued on or before November 30, 1989.

Cash and Cash Equivalents

Cash equivalents are carried at cost or amortized cost which approximate market values. Cash and cash equivalents reported on UCI's balance sheet are under the control of the State Treasurer as determined by law. Cash equivalents are considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Cash is controlled by the State Treasurer. Investments are made in compliance with the State Money Management Act. All cash deposited with the State Treasurer by state entities is managed in pooled investments funds to safeguard assets and to maximize interest earnings.

Receivables

Accounts Receivable at UCI consist mainly of amounts due from cities, counties, and the federal government where collection is reasonably assured. Therefore, no allowance for doubtful accounts has been established.

Inventories

Inventories of materials at UCI are determined by physical count as of 30 June 1998. Inventories are valued at the lower of cost or market. Valuation method at UCI is the weighted average costing method.

Fixed Assets

Building and equipment at UCI is depreciated on a straight-line basis over their estimated useful lives, which extends to 40 years on buildings and 3 to 12 years on equipment.

Non-Operating Income

Non-Operating Income represents revenue to UCI that is produced from sources that are not considered the traditional revenue generating activities of UCI. This would include, but not be limited to, a small amount of fines and restitutions that come back to UCI on an annual basis. UCI also received from the State's Risk management insurance fund, reimbursement for damages that totaled \$33,644.50. As a final reimbursement for UCI's work on the Byrne's building, UCI received \$52,613.36 during FY 1998. Total Non-Operating income for FY 1998 equals \$86,621.60.

Risk Management

The State is self-insured against certain property and liability claims. The Legislature established the Risk Management Fund to pay for commercial insurance or to accumulate reserves for the self-insured portion of certain property and liability risks. During FY 1998 UCI payed \$28,727.61 into the Risk Management Fund.

Note 2

Fixed Assets

Changes in the Fixed Assets Accounting Group (Expressed in Thousands)

	Balance			Balance
General Fixed Assets	July 1, 1997	Additions	Deletions	June 30, 1998
Land	\$0	\$0	\$0	\$0
Buildings	577	23	3	577
Machinery & Equip.	2,255	261	592	1,924
Accumulated Depreciation	(1,774)	(188)	484	(1,478)
Construction in Process	12	13	0	25
Total Fixed Assets	\$1,051	\$109	\$111	\$1,048

During FY 1998 UCI came into compliance with the State's Fixed Asset policy of recognizing assets that are above the \$5,000.00 capitalization limit. This resulted in a one time increase in the depreciation expense accounts at UCI of \$88,000.00.

The construction in process balance represents the amount of labor and materials to take down and prepare to re-erect a building UCI procured from State Surplus Property.

Note 3

Year-end adjustments

In compliance with GAAP, and in an attempt to comply with directions received from State Finance, UCI has changed the way it will recognize "sales" that are considered a UCI to UCI sale. The fiscal impact was a reduction of total sales by \$188,813.16. This entry was entered into the state's financial account system (FINET), and the revenue accounts will show correctly on the State's year-end reports. However, the off setting expense adjustment was not finalized in time to make the State's year-end cut-off. The resulting error will overstate the cost of goods sold, and understate net income on the State's financial reports date 30, June 1998. UCI financial report understating the cost of goods sold and overstating net income in FY 1999. FINET for FY 1998 will show a net loss of <\$68,606.39>. The correct amount will be shown on UCI's statement as a net income of \$113,173.02.

Note 4

Additional Schedules

The following schedules have been included in UCI's financial report to fulfill the requirements of Utah code section 64-13a-11 and to facilitate the ease of reading the year-end statements.

**Statement of Change
in Financial Position
Utah Correctional Industries
June 30, 1998**

Source of Working Capital	
Net Income	\$113,173.32
Depreciation	341,171.30
Total Sources of Working Capital	\$454,344.62
Uses of Working Capital	
Payment to General Funds	\$0.00
Net effect of disposed assets	45,980.00
Acquisition of Land, Bldg. & Equipment	275,163.00
Total Use of Working Capital	\$321,143.00
Net Increase/(Decrease) in Working Capital	\$133,201.62
Elements of Changes in Working Capital	
Cash & Cash Equivalents	\$1,079,654.05
Accounts Receivable	5,372.53
Inventories	(411,048.77)
Payables	(543,776.16)
Net Increase/(Decrease) in Working Capital	\$133,201.65

**Utah Correctional Industries
Manufacturing Statement
For the Period ended June 30, 1998**

Direct Materials		
Raw Materials; July 1, 1997	\$828,707.87	
Raw Materials Purchased	3,351,487.95	
Freight	69,556.13	
Raw Materials available for use	4,249,751.95	
Raw Materials; June 30, 1998	829,006.19	
Direct Materials Used	<u>829,006.19</u>	\$3,420,745.76
Direct Labor		\$4,466,490.62
Direct Factory Overhead		
Travel	\$2,087.54	
Contract Svs	119,758.80	
Rent/Lease	188,535.65	
Repair/Supplies	227,955.14	
Shop Supplies	599,167.00	
Other Curr Exp	448,327.22	
DP Curr Exp	214.20	
DP Depreciation	0.00	
Other Depreciation	239,869.65	
		<u>\$1,825,915.20</u>
Total Manufacturing Costs		<u>\$9,713,151.58</u>
Add Work in Process July 1, 1997		<u>\$226,132.26</u>
Total Work in Process during the period		9,939,283.84
Deduct Work in Process June 30, 1998		91,682.70
Cost of Goods Manufactured		<u><u>\$9,847,601.14</u></u>