

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4506-01
Bill No.: SB 1155
Subject: Department of Corrections
Type: Corrected#
Date: March 6, 2002

#To correct addition errors on pages 1 and 7.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue#	(\$1,257,050 to Unknown)	(\$1,242,790 to Unknown)	(\$1,246,590 to Unknown)
Working Capital Revolving Funds#	(\$5,789,088 to Unknown)	(\$3,147,401 to Unknown)	(\$3,147,401 to Unknown)
Total Estimated Net Effect on <u>All</u> State Funds#	(\$7,046,138 to Unknown)	(\$4,390,191 to Unknown)	(\$4,393,991 to Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety – Capitol Police, – Division of Fire Safety, – State Water Patrol, – State Highway Patrol, – Office of the Adjutant General, Department of Conservation, Department of Social Services, Department of Health and Senior Services, and the Department of Natural Resources** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Department of Mental Health (DMH)** state they have limited, but crucial ties, to the laundry services available from the Department of Corrections at its Farmington facilities. The Farmington Correctional Center provides laundry services for Southeast Missouri Mental Health Center (SEMO) and the Missouri Sex Offender Treatment Center (MSOTC), in Farmington, Missouri. Laundry services currently provided by the Department of Corrections in FY '02 are projected to cost \$44,200 for both SEMO and the MSOTC. Loss of these services would require SEMO and MSOTC to use the laundry services offered at Fulton State Hospital (as do six other facilities). The General Revenue cost associated with Fulton State Hospital providing laundry services for these facilities would be \$156,596. This would include the following: \$0.61 per pound of laundry times 200,000 pounds = \$122,000 less \$44,200 currently budgeted for laundry services at DOC = \$77,800; \$40,000 to purchase one delivery truck to transport the laundry between Farmington and Fulton; and personal services funding of \$38,796 - 2.00 FTE (\$22,344 for an auto driver and \$16,452 for a laundry worker). In addition to the General Revenue impact, an additional \$122,000 authority would be needed from the Mental Health Interagency Payment Fund to provide the necessary authority for Fulton State Hospital to invoice these two facilities for laundry services and accept these payments.

Officials from the **Department of Corrections (DOC)** stated that Missouri Vocational Enterprises established its first industrial laundry operation in 1963 at the opening of MO Training Center for Men currently known as the Moberly Correctional Center. In 1987 the Department of Corrections opened the Farmington Correctional Center and MVE opened its second Industrial laundry at that location. At that time, Southeast Mental Health Center asked MVE to supply laundry services for their facility.

Today Missouri Vocational Enterprises employs 12 civilian staff to supervise 156 inmate workers at the Moberly Correctional Center and 17 civilian employees in Farmington Correctional Center to supervise 182 inmate workers. In FY2001 civilian wages in these two operations were \$813,179.07 with additional benefits of \$259,174.82. Wages for the 338 inmates were \$368,138.27.

Missouri Vocational Enterprises laundry operations process approximately 15,286,414 pounds of laundry for contracted hospitals per year. Revenues generated from these two operations in ASSUMPTION (continued)

FY2001 were \$3,113,766.20. These revenues included the services provided to the Moberly and Farmington Correctional Centers.

If Missouri Vocational Enterprises is forced to terminate these operations, the impact will not affect only MVE. Farmington and Moberly Correctional Centers, the Department of Corrections as an entity and MVE's customers will be affected as explained below.

Impact on Missouri Vocational Enterprises

Civilian Job Loss:

Missouri Vocational Enterprises currently employs 29 civilian staff in the Moberly and Farmington laundry operation with an annual payroll of \$1,072,353.89 inclusive of benefits. MVE operates from a Working Capital Revolving Fund (WCRF) that receives no General Revenue (GR) assistance. Because of declining state revenues, MVE sales to state agencies have also suffered. If MVE were unable to generate sufficient revenues from sales, a layoff of 29 state employees would be necessary if the laundry operations were terminated.

Inmate Job Loss:

Missouri Vocational Enterprises employs a total of 338 inmate workers (about 25% of MVE total inmate staff) in the two laundry operations. Inmate total wages for FY2001 amounted to \$368,138.27. This wage allows inmates to send money home, start savings accounts, spend in the canteen operations within the institution and generally have a better quality of life while learning a skill or trade. If MVE laundry operations are closed, the DOC will be forced to create new programs and hire additional staff to supervise the inmates who are no longer working. These programs and staff would then be funded by GR instead of WCRF.

Equipment Loss:

Over the years Missouri Vocational Enterprises has invested \$2,641,687 in equipment to operate the two laundry facilities. These expenses for equipment do not reflect the investment in modifications and upgrades to buildings and grounds necessary to support a laundry operation. If MVE closes laundry operations, the equipment is rendered useless. The buildings that house the equipment are also useless until the equipment is removed and the buildings remodeled to accommodate new programs. To move equipment and remodel the buildings would be extremely expensive to the Department of Corrections and would require capital improvement requests. The buildings may sit empty for two or more years while the request for capital improvement is being processed.

ASSUMPTION (continued)

Chemical Products:

Missouri Vocational Enterprises depends on many outside (private sector) vendors to supply raw materials to their factory and service operations. MVE's chemical factory (located at the Jefferson City Correctional Center) supplies detergent, bleach, water softener, and other chemicals to the laundry operations as well as other state agencies. If laundry operations are terminated, the chemical factory will also experience a loss in revenue of approximately 20%. This 20% amounts to \$333,635 in lost sales and could make it necessary to terminate the chemical operation as well. At the very least it would cost additional layoffs in that area.

Impact on Department of Corrections

Cost to the Department of Corrections for Additional Security:

Currently, Missouri Vocational Enterprises is responsible for the security operations within the factories. Security officers are assigned to the laundries, but the primary responsibility lies with MVE staff. If MVE were to close laundry operations and layoff 29 employees, the Department of Corrections would be required to employ a like number of employees to fill security and other program positions. The Department would require an additional appropriation of \$1,072,353.89 in GR personal services.

Cost to the Department of Corrections for New Programs:

It is difficult to estimate the cost to the Department of Corrections to establish new programs for 338 inmates. However, renovations on both laundry buildings would be necessary prior to establishing new programs. The cost of the equipment would also vary depending on the type of program. Capitol improvement requests must be approved through the legislature for funding and through Design and Construction prior to renovation. This process requires approximately two years from start to finish.

Cost to Canteen in Lost Revenue:

It is probably safe to say that 60% to 80% of inmate wages is spent with the Canteen system. Sixty percent of the inmate wage is approximately \$220,882 in lost revenues to this operation. Profits from the canteen system are used by institutions to purchase books for institutional libraries, physical fitness equipment and other items used by inmates on a daily basis. This loss in revenue amounts to a reduction in institutional funding.

ASSUMPTION (continued)

Impact on Customers

Additional cost for laundry services:

Customers currently contracted with Missouri Vocational Enterprises are as follows:

University of Missouri Hospital and Clinics
University of Missouri Hospital (Columbia Mo.)
Ellis Fischel State Cancer Hospital (Columbia Mo.)
Columbia Regional Hospital (Columbia Mo.)
Capital Region Medical Center (Jefferson City Mo.)

Sisters of St. Mary's (SSM)

St. Mary's Health Center (Jefferson City Mo.)
Villa Marie Nursing Home (Jefferson City Mo.)
SSM Cardinal Glennon Children's Hospital (St. Louis Mo.)
SSM DePaul Health Center (St. Louis Mo.)
SSM St. Mary's Health Center (St. Louis Mo.)
SSM St. Joseph Health Center (St. Louis Mo.)
SSM St. Joseph Hospital West (St. Louis Mo.)

Boone Hospital (Columbia Mo.)

Southeast Missouri Mental Health Center (Farmington Mo.)

Customers stated that it would be difficult to find a laundry facility capable of processing the amount of laundry they generate on a daily basis. Customers were concerned about the quality of service and the ability of the private sector to meet the daily tum around schedule. None of the customers have the equipment or staff to process their own laundry.

Staff Requirements:

All hospitals contacted have reduced staff to cut cost of their operations. Any additional cost for laundry services would be devastating to their operation and quality of health care.

Summary

Termination of MVE laundry services will have a major impact in several areas as indicated above. The initial impact will start with the layoff of 29 civilian staff and 338 inmate workers. It is also possible that the loss of revenues from laundry services will create additional layoffs in the chemical product factory and support staff area. The impact will then trickle down to private sector suppliers who provide raw materials and services to MVE laundry and chemical operations. These private sector suppliers provide MVE in excess of \$1,000,000 in supplies each year.

The Department of Corrections would be required to provide programs and staff to replace MVE operations. These programs would be funded by GR rather than the WCRF revolving fund. The department would also have to pay inmates the state tip of \$8.50 per month, which would amount to \$2,873 per month for 338 inmates or an additional \$34,476 per year from the department's budget. Canteen sales would drop by approximately \$200,000 per year. Capital improvement requests for renovation of industry buildings would have to be submitted to the state legislature for funding, as well.

MVE customers are concerned that private sector operations will be unable to handle the volume of laundry that is required on a daily basis. Cost is of utmost concern to the Hospitals and clinics as is the quality and service.

MVE operates with a WCRF revolving fund and is required to be self-supporting. This fund is currently in a very precarious position. A loss of the laundry operations could be the stimulus to bankrupt the fund.

Fiscal impact for the Working Capital Revolving Fund include \$3,113,766 in lost laundry revenues plus \$2,641,687 in abandoned equipment and \$33,635 in lost chemical product sales for a total of \$5,789,088. Other components previously noted comprise the unknown factor.

Fiscal impact for the General Revenue Fund include \$1,072,354 in lost WCRF staff plus \$34,476 that must be picked up for inmate wages. Other components previously noted comprise the unknown factor.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Costs – Department of Mental Health</u>			
Personal Service (2 FTE)	(\$33,846)	(\$41,630)	(\$42,671)
Fringe Benefits	(\$11,541)	(\$14,196)	(\$14,551)
Equipment and Expense	<u>(\$104,833)</u>	<u>(\$80,134)</u>	<u>(\$82,538)</u>
Total Costs – DMH	<u>(\$150,220)</u>	<u>(\$135,960)</u>	<u>(\$139,760)</u>
<u>Costs – Department of Corrections</u>			
Staff currently funded by WCRF	(\$1,072,354)	(\$1,072,354)	(\$1,072,354)
Inmate wages currently funded by WCRF	(\$34,476)	(\$34,476)	(\$34,476)
Establish new programs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Total Costs – DOC#	(\$1,106,830 to <u>Unknown</u>)	(\$1,106,830 to <u>Unknown</u>)	(\$1,106,830 to <u>Unknown</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND#	<u>(\$1,257,050 to Unknown)</u>	<u>(\$1,242,790 to Unknown)</u>	<u>(\$1,246,590 to Unknown)</u>
WORKING CAPITAL REVOLVING FUNDS			
<u>Loss – Missouri Vocational Enterprises</u>			
Lost laundry revenues	(\$3,113,766)	(\$3,113,766)	(\$3,113,766)
Abandoned equipment#	(\$2,641,687)	\$0	\$0
Lost chemical product sales	(\$33,635)	(\$33,635)	(\$33,635)
Other losses	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Total Loss – MVE#	(\$5,789,088 to <u>Unknown</u>)	(\$3,147,401 to <u>Unknown</u>)	(\$3,147,401 to <u>Unknown</u>)
ESTIMATED NET EFFECT ON WORKING CAPITAL REVOLVING FUNDS#	<u>(\$5,789,088 to Unknown)</u>	<u>(\$3,147,401 to Unknown)</u>	<u>(\$3,147,401 to Unknown)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact on small businesses.

DESCRIPTION

The proposed legislation would require that the laundry and linen services performed by the Vocational Enterprises Program be limited to the political subdivisions of the state and non-profit public or private agencies possessing valid contracts with the program in effect on August 28, 2000. The proposal also stipulates that by September 30, 2002, all said contracts shall expire.

The proposal does not prohibit inmates from providing laundry services for correctional facilities operated by the Department of Corrections.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This legislation would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Public Safety

- Capitol Police
- Division of Fire Safety
- State Water Patrol
- State Highway Patrol
- Office of the Adjutant General

Department of Conservation

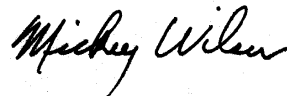
Department of Social Services

Department of Health and Senior Services

Department of Natural Resources

Department of Mental Health

Department of Corrections



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