



State of Maine Board of Corrections



Members

*Joel Merry, Chair
Carleton Barnes
Amy Fowler*

Executive Director

Ryan Thornell

Financial Analyst

Mallory Pollard

State Board of Corrections – FY2014 Funding Update

BEFORE THE JOINT STANDING COMMITTEE ON APPROPRIATIONS AND FINANCIAL AFFAIRS

June 17, 2014

Dear Senator Hill, Representative Rotundo, and distinguished members of the Committee on Appropriations and Financial Affairs,

I am Ryan Thornell, Executive Director of the State Board of Corrections, and I am submitting this update to you related to the State Board of Corrections Funding. Thank you for providing me the opportunity to speak with you this morning.

As illustrated by “SBOC Handout #1,” you will see that we are currently positioned to finish fiscal year 2014 with a balance of \$402,790. This is after beginning the fiscal year with a “carry-forward” from FY2013 of \$328,602, after receiving the supplemental funding of \$1,200,000 appropriated by you this spring, and after having multiple counties forego funding in the fourth quarter of the fiscal year. Although this is a good early indication, a point of caution must be raised as we are certain to have counties request additional funding from the Board upon the “closing” of their FY2014 financial reports. Additionally, as we began the fiscal year with a “carry-forward,” any end to the fiscal year below that balance would demonstrate a deficit for the fiscal year. We will be making every attempt to not finish below this amount.

The “SBOC Handout #2” demonstrates the approved distribution of the supplemental funding of \$1,200,000 received in May 2014. To date, the Board has approved distribution or allocation of \$1,160,793, of which \$99,910 was distributed to Androscoggin County, \$500,000 was distributed to Aroostook County, and \$560,883 has been “set aside” pending the outcome of the litigation involving the Board and Somerset County. An additional \$125,602 is being recommended for distribution to Aroostook County later today at the Board’s meeting. Any amount exceeding the supplemental funds provided to the Board will be funded using fourth quarter funding not requested by other county jails.

During the past two months, we have made great strides in conducting better analysis of the coordinated system’s financial status and county jail expenditures. We have added Mallory Pollard as our new Financial Analyst, and the Board has empowered its revised Budget Focus Group to conduct in-depth financial analysis and make recommendations for the system’s finances. Part of the early success of this group is the result of the group’s composition and collaboration, as members come from various county-level positions, the Board’s office, and other relevant entities (see “SBOC Handout #3” for more detail). One example of the new-level of analysis conducted by this group is the analysis of the remaining request for FY2014 supplemental funding from York County currently

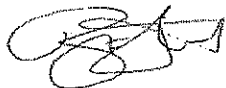
in the amount of \$375,756. To date, no additional funding has been recommended for distribution to York County as all analyses conducted demonstrate a financial position not necessitating the funding.

The "SBOC Handout #3" reflects the early improvements we have made to the financial aspects of the coordinated system. Aside from those mentioned previously, we continue to analyze all levels of the system's finances and will be proactive in these efforts as we move into FY2015. Additionally, we are beginning the agency rulemaking process in order to begin implementing the key pieces of the newly enacted legislation, including specific rules regarding financial data, processes, and reporting. Our efforts will continue well into FY2015 as we steer the system through a difficult year of level funding while also preparing a biennial budget which reflects the new law.

Finally, it is important to update you on our financial situation entering into FY2015. I have repeatedly indicated that FY2015 will be the most challenging year, financially, for our coordinated system (in part due to it being year two of a flat biennial budget and because the financial components of the new legislation will not impact the budget process until the upcoming biennium). New analysis has demonstrated it will be even more difficult. A thorough review of the system's past financial position and funding mechanisms revealed that the Board has been over-budgeting distributions to county jails. Beginning in FY2012, county jails have been approved to receive distributions totaling \$9,916,414 each fiscal year; however, the revenues received by the Board have been well below that total (i.e. FY2013 revenues equaled \$8,890,868). This gap between the budgeted distributions and accessible revenue has been covered using existing "carry-forward" funds from previous fiscal years. As we enter FY2015, our "carry-forward" will be minimal (approximately \$300,000-\$400,000) and will not be utilized as a budgeted revenue as we enter the fiscal year. Thus, we will be proposing to the Board at today's meeting a plan to bring the budgeted distributions to the counties back in-line with FY2015 revenues. This will result in reducing the budgeted distributions from \$9,916,414 to \$8,685,257. The impact to individual counties will be similar to the impact of FY2014, as each jail's FY2015 distribution will be at a level equal to what was distributed in FY2014 (with the exception of Androscoggin County and Aroostook County, due to the supplemental funding distributed to them in FY2014). While this is not an ideal situation or solution, it presents each county with a realistic funding level as they enter into the fiscal year, allowing for better financial activity across the year and for demonstrating additional financial need in the future months.

Thank you for the opportunity to speak with you today. If additional information is necessary, please do not hesitate to contact me.

Sincerely,



Ryan Thornell
Executive Director
Maine Board of Corrections

Cc: Joel Merry, Chair, Board of Corrections
Amy Fowler, Member, Board of Corrections
Carleton Barnes, Member, Board of Corrections
Mallory Pollard, Financial Analyst

State Board of Corrections

FY2014* Financial Summary and Update

	Budget	Actual
Revenues		
OSF Baseline	\$6,536,295.00	\$6,536,295.00
Budget Decrease	(\$582.00)	(\$582.00)
Supplemental	\$1,200,000.00	\$1,200,000.00
Fines/Surcharge	\$738,755.00	\$664,616.00
MMC	\$1,707,777.00	\$1,706,731.00
Board Per Diem	\$20,000.00	\$20,000.00
SBOC Total Revenues:	\$10,202,245.00	\$10,127,060.00
Disbursements:		
OSF FY14 Payments	\$9,916,414.00	\$9,217,566.00
Board Per Diem	\$20,000.00	\$15,998.00
Board Personnel	\$181,558.00	\$100,950.00
SBOC Total Expenditures:	\$10,117,972.00	\$9,334,514.00
Excess Revenues over Expenditures - Gain/(Loss)		\$792,546.00
Add: FY13 Prior Year Carryforward		\$328,602.00
Less: Net Remaining Activity**		(\$718,358.00)
End Balance		\$402,790.00

*As of May 31, 2014

Presented to AFA on June 17, 2014

** Remaining Activity	
Fines/Surcharges - June	\$74,138.00
Somerseset FY13 (set aside)	(\$560,884.00)
Two Bridges(Q4)	(\$21,400.00)
Araostook (Supp #2)	(\$125,602.00)
SBOC Personnel	(\$80,608.00)
Operations	(\$4,002.00)
Net Activity	(\$718,358.00)

State Board of Corrections

FY2014* Supplemental Funding Distributions

	Distributed	Request	Remaining
Androscoggin	\$99,910.00	\$0.00	<i>original request 200K</i>
Aroostook	\$500,000.00	\$159,131.00	<i>*Recommending to BOC payment of \$125,602 (June 17, 2014)</i>
Cumberland	-	-	
Franklin	-	-	
Hancock	-	-	
Kennebec	-	-	
Knox	-	-	
Lincoln	-	-	
Oxford	-	-	
Penobscot	-	-	
Piscataquis	-	-	
Sagadahoc	-	-	
Somerset	-	-	
Somerset (FY13)	\$560,883.00		<i>*Set aside pending legal (not distributed)</i>
Two Bridges	-	-	
Waldo	-	-	
Washington	-	-	
York	\$0	\$375,756.00	
	\$1,160,793.00	\$534,887.00	

*As of May 31, 2014

Presented to AFA on June 16, 2014



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SBOC Handout #3

Recent (or planned) SBOC Financial Improvements

Fiscal Year 2014:

- ✓ Reestablished Budget Focus Group and increased activity
 - Active financial collaboration and oversight from:
 - BOC Financial Analyst
 - County Administration
 - Jail Administrator
 - County Administrator
 - Finance Director (x2)
 - MCCA Executive Director
 - DAFS, BOC Fiscal Agent
 - BOC Executive Director
 - Analysis of FY2014 expenditures, projections, and run rates
 - Requests for documentation/justification regarding FY2014 spending
- ✓ Decreased Board's direct involvement detailed budget management
 - Empowered BFG to make recommendations to BOC
 - Returned Board's focus to making systemic budget/financial decisions
- ✓ Beginning Rulemaking process related to PL 598
 - Record Keeping and Reporting of Financial Data
 - Fund Balances
 - Budget Formats and Processes
 - Funding Allocation
 - Capital Improvement Planning and Funding

Fiscal Year 2015:

- ✓ Developed and Implementing Budget Initiative Process
- ✓ Analysis of FY2015 expenditures, projections, and run rates
 - On-going, active process
 - Improve reporting and communication at all levels
- ✓ Complete and implement Rulemaking activity