

## MEMORANDUM

To: Board of Corrections  
From: Michael Tausek, Executive Director  
Date: March 22, 2013  
Re: 3<sup>rd</sup> Quarter Payments from Investment Fund

This Memorandum summarizes the work done by the Corrections Working Group's Budget Focus Group ("BFG") and offers suggestions on how the Board of Corrections ("the Board") can proceed with the determining 3<sup>rd</sup> and 4<sup>th</sup> quarter disbursements from the Investment Fund.

### Task assigned to BFG

Because the budgeted distributions from the Investment Fund exceed the projected balance of the Investment Fund, the Board must determine how best to utilize these remaining funds. Toward that end, the Board asked the BFG to help it gather, assemble, and analyze financial information from the county jails. On January 29, 2013, The Board adopted preliminary criteria for 3<sup>rd</sup> Quarter distributions to help guide the BFG in this analysis.

The preliminary criteria are as follows:

1. The Board will assume that data in the CRAS system are accurate and rely on that data for making determinations. Each county jail will be responsible for insuring the accuracy of its data in the CRAS system.
2. The Board will not distribute amounts from the Investment Fund to a county jail that exceed the amounts requested by the county as of 12/31/2012.
3. The Board will not distribute amounts to the extent those amounts would result in a projected positive net operating income for the county jail for FY2013.
4. The Board will not distribute amounts to a county jail to the extent the jail had surplus funds as of 12/31/2012 unless the jail's actual average daily prisoners (ADP) exceeds its budgeted ADP. If the actual ADP exceeds the budgeted ADP, the Board will consider this fact when determining whether and to what extent it makes a distribution to that county jail.

### Actions of Budget Focus Group

Information requested. The BFG made multiple requests for information to each county jail in order to help ensure that the entries in CRAS were accurate and in order to gain a better

understanding of funds that the jails may be holding in various designated and undesignated accounts.

Meetings. The BFG met on February 19, 2013, and again on March 14, 2013.

Information compiled. Attached to his memorandum are the following documents:

1. The Preliminary Distribution Criteria as adopted by the Board on January 29, 2013.
2. SBOC Investment Fund Analysis for FY2013
3. SBOC Investment Fund Payment Review and Projections
4. Summary sheet of the county jail worksheets
5. An analysis worksheet for each county jail. This document consists of a one-page worksheet for each county jail that depicts the budgeted and actual distributions from the Investment Fund as well as the amount being requested by each county jail. Each worksheet also shows budgeted and projected revenues and expenses and the budgeted and actual average daily population. Each worksheet then shows the funds in general and designated accounts of the jails. Finally, each worksheet applies the 4 preliminary criteria to the data to arrive at a suggested FY2013 distribution and a recommended 3<sup>rd</sup> Quarter distribution for each county jail.
6. Distribution Scenario Table. This table illustrates various options for making 3<sup>rd</sup> Quarter distributions. In addition to a strict application of the 4 criteria, this table shows how distributions might be made under the application of three other options. Each of these three alternatives would allow the county jails to retain certain percentages (1%, 2%, and 5%) of their total budgeted expenses in a general fund without those amounts reducing distributions from the Investment Fund. The table also shows how making distributions based on requested amounts and budgeted amounts would compare and how each of the various distribution options would affect the balance of the Investment Fund.

Analysis of financial data. The remaining budgeted amount to be distributed from the Investment Fund is \$4,958,207. The projected amount potentially available for distribution from the Investment Fund for FY2013, however, is only \$4,077,574--\$880,633 less than budgeted.<sup>1</sup> On the other hand, not all county jails are requesting their budgeted amounts. The aggregate amount requested is \$3,916,411, which, if fulfilled entirely, would leave \$161,163 in the Investment Fund. Of the 15 jail facilities, 11 are requesting Investment Fund Distributions.

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<sup>1</sup> The Aroostook and Hancock County Jails have already received 3<sup>rd</sup> Quarter distributions of \$116,440 and \$77,987 respectively. For purposes of the BFG's analysis these amounts are treated as not having been paid yet.

Below are descriptions of the 3<sup>rd</sup> Quarter distributions that would occur under various alternative methods for determining how to make distributions from the Investment Fund. This information is depicted in the attached Distribution Scenario Table.

- Application of 4 preliminary criteria. Under this scenario, 9 county jails would receive distributions. Of the 11 county jails requesting distributions, 2 would receive the full amount of their projected need, 6 would receive a partial distribution, and 3 would receive no distribution. The total amount distributed for the 3<sup>rd</sup> Quarter would be \$1,013,306, leaving a projected \$3,064,268 in the Investment Fund. The Board, however, should consider the fact that one county with an available general fund surplus (Penobscot) had an actual ADP that exceeded its budgeted ADP.
- Application of 4 preliminary criteria while allowing county jails to retain 1% of budgeted expenses in a general fund. Under this scenario, 10 county jails would receive distributions. Of the 11 county jails requesting distributions 3 would receive the full amount of their projected need, 7 would receive a partial distribution, and 1 would receive no distribution. The total amount distributed for the 3<sup>rd</sup> Quarter would be \$1,237,941, leaving a projected \$2,839,633 in the Investment Fund. The Board, however, should consider the fact that one county with an available general fund surplus (Penobscot) had an actual ADP that exceeded its budgeted ADP.
- Application of 4 preliminary criteria while allowing county jails to retain 2% of budgeted expenses in a general fund. Under this scenario, 11 county jails would receive distributions. Of the 11 county jails requesting distributions 3 would receive the full amount of their projected need and the other 8 would receive a partial distribution. The total amount distributed for the 3<sup>rd</sup> Quarter would be \$1,410,031, leaving a projected \$2,667,543 in the Investment Fund. The Board, however, should consider the fact that one county with an available general fund surplus (Penobscot) had an actual ADP that exceeded its budgeted ADP.
- Application of 4 preliminary criteria while allowing county jails to retain 5% of budgeted expenses in a general fund. Under this scenario, 11 county jails would receive distributions. Of the 11 county jails requesting distributions 6 would receive the full amount of their projected need and the other 5 would receive a partial distribution. The total amount distributed for the 3<sup>rd</sup> Quarter would be \$1,713,160, leaving a projected \$2,364,414 in the Investment Fund.
- Making full distributions of the amounts requested. Under this scenario, all 11 county jails requesting distributions would receive the requested distributions. The total amount distributed for the 3<sup>rd</sup> Quarter would be \$1,958,206, leaving a projected \$2,119,369 in the Investment Fund.

Somerset County Jail. There are unique circumstances with the Somerset County Jail that the Board should consider. It appears that the Jail has transferred significant funds to some

account for the purpose of using those funds to pay down the county debt arising from the construction of the jail. Assistant Attorney General Andrew Black has reviewed this situation and will be available to advise the Board of the legal issues involved in this matter. The financial analysis done by the BFG and described above, however, does not take these special circumstances into consideration. The BFG analysis uses fund balances as reported by Somerset County Jail.

**Recommended Procedure going forward**

Board Meeting on March 25, 2013. At this meeting, the Board should review the information provided by the BFG and decide whether and to what extent each of the county jails should receive a 3<sup>rd</sup> Quarter distribution and then authorize these distributions.

The Executive Director will then send notices to those county jails receiving 3<sup>rd</sup> Quarter distributions less than half the amount requested for the remainder of FY2013. These notices will inform the county jails of their ability to meet with the Board in April to appeal the decision.

At next month's meeting, those county jails that indicate a desire to appeal the decision and have the Board reconsider its decisions will be given an opportunity to appear before the Board and present evidence and argument for why the Board should reconsider its decision pertaining to that particular county jail. The Board can then either affirm or modify its earlier decisions.