

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: September 29, 2016

TO: Chris Abele, County Executive
Supervisor Peggy West, Chair, Finance and Audit Committee
Teig Whaley-Smith, Director, Department of Administrative Services

FROM: Michael Hafemann, Superintendent, House of Correction (HOC)

SUBJECT: HOC Revenue Deficit – Information Only

Policy Issue

County Ordinance 56.02 requires each person in charge of any County office, department, agency, or any non-departmental account to:

" ... submit a written report to the County Executive, the Committee on Finance and Audit of the County Board and the Department of Administration whenever such person has reason to know or believe that a deficit of seventy-five thousand dollars (\$75,000.00) or more in any revenue account will occur for the division of county government under the supervision of that person." ...

Background

The HOC and the Wisconsin Department of Corrections (DOC) have an agreement for the housing, safekeeping, and subsistence of DOC prisoners. The DOC pays a daily fee for each inmate that is housed at the HOC. Currently, the HOC is experiencing a deficit due to housing fewer DOC inmates than in 2014 and 2015. The table below illustrates this:

Item	Short Description	Budget Amount	Actual Amount to Date*	Projected Amount	Variance between Budget and Projected
2299	DOC Revenue	\$ 2,444,000	\$ 1,372,747	\$2,092,079	(\$351,921)

*Collections are through August. September not yet available at time of report.

The HOC is also experiencing a reduction in Electronic Surveillance (ES) revenues. Eligibility and/or participation has decreased significantly from 2014 and 2015 figures. However, unit costs will decrease by a similar amount to the revenue variance in the table below:

Item	Short Description	Budget Amount	Actual Amount to Date*	Projected Amount	Variance between Budget and Projected
4926	ES Revenue	\$ 850,000	\$ 461,729	\$706,694	(\$143,306)

Cause of Deficit

The DOC revenue shortfall is based on an estimate that was used when creating the 2016 budget when the DOC was sending more inmates to be housed at the HOC. In 2014, the HOC collected \$2,447,751, and in 2015, the total was over \$2,500,000. The DOC did not anticipate this decrease; there was an anticipated potential increase, because in 2015 housing individuals on DOC sanction orders for a rule(s) violation was extended to persons on probation and parole instead of just extended supervision. There is no clear cause for the reduction in revenue other than fewer individuals have been ordered to serve a sanction for a violation of probation, parole or extended supervision to date in 2016. Since the DOC is requesting the HOC house fewer inmates than they did last year, the 2017 budget was adjusted downward to \$2,200,000.

ES revenues were also higher in 2014 and most of 2015, resulting in a higher estimate when creating the budget. Total revenue was \$835,576 in 2014. By August 2015, collections were about \$472,000. Eligibility

and/or participation has decreased significantly. We are starting to see an upward trend in participation, but it is still very likely there will still be an ES revenue shortfall in 2016. The 2017 budget request remained at \$850,000.

Are there funds available to offset the revenue deficit?

Various other revenue streams are helping close these gaps, primarily new sources (e.g., utility reimbursements and laundry revenue) and phone revenues (due to a positive true-up) in Other Service Fees. Concession revenue may also be greater than expected with the new commissary contract. Overall, the HOC is projecting an overall revenue deficit of \$68,465 in 2016. The HOC may also delay or cancel various expenditures to further close the gap.

Furthermore, the HOC pays a daily fee for each ES unit. The inmates reimburse the HOC for these costs which creates the ES revenue stream. Therefore, ES costs are reduced by a similar amount as the revenues when participation decreases.

Will this be an issue beyond the current year?

Unknown. The DOC Revenue is variable based on the number of sanctioned inmates the DOC requests to be housed at the HOC. ES revenue is also variable based on the number of inmates that are eligible and can participate. However, as discussed above the 2017 budget was adjusted downward for DOC revenues.

Plan of action or alternatives to offset the deficit:

The HOC has been creating new revenue sources, such as utility and capital reimbursements from the food services contract, laundry revenue from assisting another institution, etc. A few other new revenue-generating concepts are underway. This could alleviate the estimated \$68,465 overall revenue deficit currently forecasted, before year end. However, if necessary, the HOC will also cut spending or delay a project until the gap is closed.



Michael Hafemann
Superintendent, House of Correction (HOC)

cc: Theodore Lipscomb, Sr., Chairman, County Board of Supervisors
Finance and Audit Committee Members
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Scott Manske, CPA, Milwaukee County Comptroller
Steven Kreklow, Budget Director, Department of Administrative Services
Stephen Cady, Research and Policy Director, Office of the Comptroller
Janelle Jensen, Chief Committee Clerk, Office of the County Clerk