



COLORADO

Department of Corrections

Priority: R-9

Food Service Inflation

FY 2014-15 CHANGE REQUEST

Cost and FTE

- The Department requests an \$830,871 General Fund (GF) increase in FY 2014-15 as a result of raw food inflation. Specifically, \$402,342 is needed for food costs at DOC facilities and \$428,529 for DOC's food service contract with the Department of Human Services (DHS) which serves inmates at the Pueblo facilities. This represents a 5.4% increase in the DOC Food Service operating and contract budget.

Link to Operations

- The DOC spent \$13,191,290 for raw food in FY 2011-12 (15,735,150 offender meals) and \$12,996,773 in FY 2012-13 (14,796,735 meals). Estimated raw food costs in FY 2013-14 are projected at \$13,411,385 for over 15,184,000 meals provided to approx 13,867 offenders by 311.9 FTE (237 directly involved in meal prep and 74 with security functions).
- DOC contracts with CMHIP for meals served at the Pueblo facilities (approximately 1,116,000 in FY 2012-13). Inflationary food costs have also been absorbed by CMHIP food service, which has restricted spending in other operational areas.
- DOC is required by American Correctional Association (ACA) standards to provide nutritionally adequate meals to offenders housed in State operated prisons.

Problem or Opportunity

- The United States Department of Agriculture and the Consumer Price Index are projecting 2014 food costs to increase between 2.5% and 3.5% over 2013 prices.
- From FY 2005-06 through FY 2007-08, food inflation increases were Joint Budget Committee (JBC) common policy. Since then departments must request inflationary changes.
- Since 2007-08, food costs have seen a compounded annual growth rate of 6.2%. DOC received a 3.5% increase for raw food inflation in FY 2013-14.
- CMHIP has not adjusted the meal charges on the inter-agency contract with DOC since FY 2006-07.

Consequences of Problem

- Inadequate funding does not allow either Department to address the repair and/or replacement of aging equipment. Deferred replacement results in inefficient equipment and higher operating costs.
- With insufficient funding, it is difficult to provide adequate and nutritious meals to the offenders in accordance with American Correctional Association (ACA) standards.
- Reduced meal quality could lead to facility unrest, which may be a security and safety issue.

Proposed Solution

- Fund an inflationary increase for raw food costs for DOC and DHS. This will provide resources for continuous nutritious meals and avoid funding restrictions for equipment maintenance and repair.

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FY 2014-15 REQUEST
Priority: R-9 Food Service Inflation
Request Detail

Problem or Opportunity:

The cost of raw food continues to rise, both for the private consumer and state agencies. The Department of Corrections (DOC) is mandated to provide nutritionally adequate meals to offenders housed in State operated prisons either through kitchen facilities in most prisons or through an inter-agency agreement with the Department of Human Services (DHS) for offenders on the CMHIP campus (Mental Health Institute - Pueblo). For three years (FY 2005-06 through FY 2007-08), food inflation increases were a component of Joint Budget Committee common policy. Since that time, both Departments must request inflation increases during the budget process, which DOC did for FY 2013-14 and again with this request for FY 2014-15. As operating budgets have become leaner during recent recessions, the Departments can no longer absorb price increases and will request inflationary adjustments annually if warranted.

Food costs have increased, with an overall compound annual growth rate of 6.2% over the past five years (from FY 2007-08 through FY 2012-13). The Consumer Price Indexes (CPI) for food, food-at-home, and food-away-from-home are expected to increase 2.5 to 3.5 percent over 2013 levels, according to the USDA Economic Research Service (Table 4).¹ Without additional operating funds, DOC and CMHIP will continue to absorb increasing food costs and restrict spending in other operating areas, such as deferring necessary critical equipment replacement or repair, maintenance, or the purchase of small goods needed to operate an institutional food service department. In the CMHIP operating budget, this may also affect other critical areas, such as patient transportation, durable medical goods, and work-therapy supplies.

DOC Food Service: In FY 2012-13, the DOC's food service operating appropriation purchased the raw food necessary to provide approximately 14,796,735 meals to offenders (Table 2). Raw food costs are the single largest expenditure from the appropriation. In FY 2012-13 raw food costs were \$12,996,773 from an appropriation of \$15,117,380 (representing 86% of the budget). In FY 2005-06 the raw foods costs were 79.9% of the appropriation (Table 1). The remaining funds are used for items and services necessary for large commercial kitchen operations such as: health department inspections, grease trap cleaning, exhaust hood cleaning, plastic cutlery, paper products, pots and pans, cooking utensils, cleaning chemicals, equipment maintenance, and equipment replacement. These non-food items have also had inflationary increases over the years but not at the magnitude of raw food price increases.

DHS Food Service: DHS operates a kitchen at CMHIP that provides meals for both patients and staff at CMHIP as well as offenders from DOC facilities on the Pueblo campus. They provided approximately 1,116,000 meals to DOC offenders in FY 2012-13. The prepared menu follows DOC dietary guidelines, providing additional calories for the Youthful Offender System and different nutritional requirements for

¹ "Changes in Food Price Index 2011 through 2014", U.S. Department of Agriculture, Consumer Price Index, <http://www.ers.usda.gov/data-products/food-price-outlook.aspx>

women at the La Vista Correctional Facility. Kosher meals are also provided as they are in the DOC kitchens. Costs for meal service are based on the required caloric count and census days (Table 3).

The reimbursement rates in the interagency agreement between the Department and DOC have not been adjusted since FY 2006-07. In FY 2007-08, CDHS received a 1.8% Food Cost JBC Common Policy budget increase. Over the period from FY 2007-08 through FY 2012-13 increases in food costs have been absorbed by the CMHIP operating expense appropriations. As a result, CMHIP has faced challenges meeting their operating expense budget requirement. CMHIP spending for necessary operating supplies, medical, and other hospital equipment repair and/or replacements, have been reduced or delayed in order to manage total operating costs within the current spending authority. The DHS food service request will enable the Department to have an adequate appropriation and contract to meet actual costs of the program.

If DHS did not provide the meal service to the Pueblo facilities, DOC would have to prepare the meals in Canon City and transport to Pueblo as the kitchen facilities on the Pueblo campus would not allow the full preparation of the meals. Transportation costs would drive up costs significantly.

Equipment replacement impacts: Deferred equipment replacement can affect future budgets, as inflation increases also impact the manufacturing industry that produces the industrial kitchen equipment. Additionally, repairing aging equipment that is being used beyond its life span increases operating and utility costs for inefficient equipment. These increased costs squeeze food service operating funds when coupled with raw food inflation. There is currently \$5.4 million in DOC food service equipment that is past its recommended life cycle and needs replaced as of the end of FY 2012-13.

Fluctuating population changes (up or down) do not significantly affect these Departments' food service budgets, as the difference is managed in the private prison beds that pay their own food costs as part of the per diem cost per offender. The DOC food service budget only fluctuates with the opening or closing of state-run facilities or housing units as it affects the capacities of those facilities. This holds true for the CMHIP facilities also.

Proposed Solution:

The Department is requesting a total of \$830,871 General Fund: \$402,342 for DOC food service operating and \$428,529 for Mental Health Institute - Pueblo operating (shown as Purchase of Services line item in the DOC Long Bill under food service). There will be a corresponding increase to DHS Reappropriated Funds for \$428,529 in spending authority in the Mental Health Institute - Pueblo Operating Expense line item.

DOC Food Service: For the Department-run food service operating expenses, DOC is requesting a 3% median increase in raw food costs based on the CPI. The Department's proportionate expenses for raw food compared to the food service operating budget also increased by 3% from FY 2011-12 to FY 2012-13 (82.9% to 86%, table 1). Another 3% increase (over 2013 prices) is expected to continue through FY 2013-14, according to the CPI and Department of Agriculture. In FY 2013-14, the Department received \$414,612

for inflationary food increases (approximately 3%), and projects to spend approximately \$13,411,385 for raw food. A 3% inflationary increase results in \$402,342 GF.

DHS Food Service: DOC contracts with CMHIP to receive meal service for the following facilities: La Vista Correctional Facility (LVCF), San Carlos Correctional Facility (SCCF), Youthful Offender System (YOS), and Southern Transportation Unit (STU). CMHIP spending for necessary operating supplies, medical, and other hospital equipment repair and/or replacements, have been reduced or delayed in order to manage total operating costs within the current spending authority. This request will increase DOC operating General Funds by \$427,942 for CMHIP food costs based on the most current DOC contract rates and caloric requirements, and the most recent CMHIP cost accounting report. This request is not based on an inflation increase, but rather to properly align the appropriation with the current actual costs.

Anticipated Outcomes:

The funding request benefits both Departments as it provides the proper level of funding, based on current costs and populations, to support the food services provided to the offenders. The DHS food service contract and appropriation will meet with current actual costs of providing meals to the Pueblo campus offenders. If funded, both Departments will be able to manage equipment replacement that would not have been possible if funds were diverted to raw food costs. Additionally, food quality is extremely important in offender management. Adequate food delivery and quality can avoid unrest in the facilities due to food quality and quantity issues.

Assumptions and Calculations:

Historical raw food expenditures are listed in Table 1 from FY 2004-05 to a projection for FY 2013-14. Prison populations listed are the state prison jurisdictional population as listed in the DOC Planning and Analysis monthly population report as of June 30 each fiscal year. The percentage is calculated on the actual expenses divided by the final General Fund supplemental appropriation each year, excluding the USDA federal funds which are generally not received. FY 2013-14 projected costs of \$13,411,385 x 3% = \$402,342.

Table 2 shows the average daily offender population for FY 2012-13 multiplied into the number of meals provided.

Table 3 calculates the DHS food costs based on a caloric consumption and average cost per calorie. The census figure in column E is comparable to DOC bed days. For example, the La Vista Correctional Facility 1-meal plan was consumed by offenders 3,309 times, while offenders consumed 2 meals at La Vista a total of 18,296 times (resulting in 18,296 days x 2 meals = 36,592 meals annually). The cost per day includes actual expenses through March 2013; the last column annualizes that to 12 months.

Table 4 is from the US Department of Agriculture website, citing statistics from the Consumer Price Index and the Bureau of Labor Statistics. The 2014 forecast indicates the 2.5% to 3.5% inflation predicted.

Appendix:

Fiscal Year	Prison Population	Approp. (GF) *	Raw Food Expenses	% of Total Approp.
2004-05	14,154	\$14,441,114	\$11,676,274	80.9%
2005-06	14,193	\$14,725,698	\$11,757,768	79.9%
2006-07	14,491	\$15,104,316	\$12,153,452	80.5%
2007-08	14,638	\$15,724,882	\$13,440,046	85.5%
2008-09	14,638	\$16,036,662	\$13,647,660	85.1%
2009-10	14,688	\$15,785,643	\$13,107,086	83.0%
2010-11	14,797	\$15,880,530	\$13,445,253	84.6%
2011-12	14,118	\$15,904,566	\$13,191,290	82.9%
2012-13	13,434	\$15,117,380	\$12,996,773	86.0%
2013-14**	13,867	\$15,328,822	\$13,411,385	87.5%

* Appropriation does not include Federal Funds from the USDA

** Projected expenses and average daily populations based on Division of Criminal Justice August 2013 interim projections. \$13,411,385 x 3% = \$402,342 requested inflationary increase.

Offenders	13,513
# of Meals per year (13,513 x 3 meals x 365 days)	14,796,735

Source: Colorado Department of Corrections, Planning and Analysis
Final Fiscal Year 2013 ADP Report, dated 7/5/2013

Table 3: DHS CMHIP Projected Costs FY 2014-15

	A	B	C	D (B x C)	E	F (A -D)	G (E x F)	H (G ÷ 9 x 12)
Facility and Daily Meal Option	FY2012-13 Contract Rates	Avg Daily Calories Consumed	Avg Cost Per Calorie	Cost per Day	Census July 2012-March 2013 Actual	FY2012-13 Daily Contract Rate vs Cost Per Day	FY2014-15 Estimated Difference (9 months)	FY2014-15 Estimated Difference (12 months)
	Daily Meal Option-- Price	July 2012-March 2013 Actual	July 2012-March 2013 Actual (Food Only)	July 2012-March 2013 Actual	July 2012-March 2013 Actual			
La Vista Correctional Facility - - 1 meal	\$1.10	950	\$0.001574494	\$1.50	3,309	(\$0.40)	(\$1,324)	(\$1,765)
La Vista Correctional Facility - - 2 meals	\$2.19	1,900	\$0.001574494	\$2.99	18,296	(\$0.80)	(\$14,637)	(\$19,516)
La Vista Correctional Facility - - 3 meals	\$3.03	2,400	\$0.001574494	\$3.78	126,688	(\$0.75)	(\$95,016)	(\$126,688)
La Vista Correctional Facility - - Kosher	\$4.73	2,650	\$0.001574494	\$4.17	64	\$0.56	\$36	\$48
San Carlos Correctional Facility--2 meals	\$2.35	2,000	\$0.001738925	\$3.48	4,671	(\$1.13)	(\$5,278)	(\$7,037)
San Carlos Correctional Facility--3 meals	\$3.24	2,700	\$0.001738925	\$4.70	64,406	(\$1.46)	(\$94,033)	(\$125,377)
San Carlos Correctional Facility--Kosher	\$4.73	2,650	\$0.001738925	\$4.61	45	\$0.12	\$5	\$7
Southern Transportation Unit -- 3 meals	\$3.24	2,700	\$0.001606040	\$4.34	4,095	(\$1.10)	(\$4,505)	(\$6,007)

Table 3: DHS CMHIP Projected Costs FY 2014-15

Facility and Daily Meal Option	A	B	C	D (B x C)	E	F (A -D)	G (E x F)	H (G ÷ 9 x 12)
	FY2012-13 Contract Rates Daily Meal Option-- Price	Avg Daily Calories Consumed July 2012- March 2013 Actual	Avg Cost Per Calorie July 2012- March 2013 Actual (Food Only)	Cost per Day July 2012- March 2013 Actual	Census July 2012- March 2013 Actual	FY2012-13 Daily Contract Rate vs Cost Per Day	FY2014-15 Estimated Difference (9 months)	FY2014-15 Estimated Difference (12 months)
Southern Transportation Unit -- Kosher	\$4.73	2,650	\$0.001606040	\$4.26	11	\$0.47	\$5	\$7
Youthful Offender System --3 meals*	\$4.03	3,500	\$0.001606072	\$5.62	67,076	(\$1.59)	(\$106,651)	(\$142,201)
TOTAL					288,661		(\$321,399)	(\$428,529)

*YOS daily meal shall average at least 3,200 calories, along with an evening snack averaging 300 calories.

Table 4: Changes in Food Price Indexes, 2011 through 2014

Item	Relative importance ¹	Month-to-Month	Year-over-Year	Annual	Annual	Forecast	Forecast
		June 2013 to July 2013	July 2012 to July 2013	2011	2012	2013 ²	2014
Consumer Price Indexes	<i>Percent</i>	<i>Percent change</i>					
All food	100.0	0.1	1.4	3.7	2.6	1.5 to 2.5	2.5 to 3.5
Food away from home	39.9	0.2	2.1	2.3	2.8	2.0 to 3.0	2.5 to 3.5
Food at home	60.1	0.0	1.0	4.8	2.5	1.5 to 2.5	2.5 to 3.5
Meats, poultry, and fish	12.9	0.3	1.7	7.4	3.6	1.5 to 2.5	2.5 to 3.5
Meats	8.3	0.5	1.2	8.8	3.4	1.0 to 2.0	2.5 to 3.5
Beef and Veal	3.9	0.5	1.3	10.2	6.4	2.0 to 3.0	2.5 to 3.5
Pork	2.5	1.7	1.9	8.5	0.3	0.0 to 1.0	2.0 to 3.0
Other meats	1.9	-1.0	-0.3	6.4	1.7	1.0 to 2.0	2.0 to 3.0
Poultry	2.4	-0.7	3.5	2.9	5.5	3.0 to 4.0	3.0 to 4.0
Fish and seafood	2.1	0.4	1.8	7.1	2.4	2.0 to 3.0	2.5 to 3.5
Eggs	0.8	-0.4	6.8	9.2	3.2	2.0 to 3.0	2.0 to 3.0
Dairy products	2.1	-0.1	0.7	6.8	2.1	1.0 to 2.0	2.5 to 3.5
Fats and oils	1.8	-0.1	-1.6	9.3	6.1	0.0 to 1.0	1.5 to 2.5
Fruits and vegetables	9.0	0.4	2.7	4.1	-0.6	2.0 to 3.0	2.5 to 3.5
Fresh fruits & vegetables	6.9	0.5	3.1	4.5	-2.0	2.5 to 3.5	2.5 to 3.5
Fresh fruits	3.7	-0.6	2.5	3.3	1.0	2.0 to 3.0	2.5 to 3.5
Fresh vegetables	3.2	1.6	3.6	5.6	-5.1	2.5 to 3.5	2.0 to 3.0
Processed fruits & vegetables	2.1	0.2	1.6	2.9	3.8	1.0 to 2.0	2.5 to 3.5
Sugar and sweets	2.1	-0.4	-2.4	3.3	3.3	0.0 to 1.0	2.0 to 3.0
Cereals and bakery products	8.6	-0.2	1.1	3.9	2.8	1.5 to 2.5	2.0 to 3.0

Table 4: Changes in Food Price Indexes, 2011 through 2014

Item	Relative importance ¹	Month-to-Month	Year-over-Year	Annual	Annual	Forecast	Forecast
		June 2013 to July 2013	July 2012 to July 2013	2011	2012	2013 ²	2014
Nonalcoholic beverages	6.6	-0.5	-1.2	3.2	1.1	0.0 to 1.0	2.5 to 3.5
Other foods	12.0	0.1	0.9	2.3	3.5	1.5 to 2.5	2.0 to 3.0

¹BLS estimated expenditure shares, December 2012. Food prices represent approximately 14 percent of the total CPI.

²The most recent forecast was published on August 23rd, 2013 and is updated by the 25th of each month.

Source of historical data: Bureau of Labor Statistics. Forecasts by Economic Research Service.

Table 5 ~ Summary of Request

Department of Corrections - GF	FY 2014-15	FY 2015-16
2D Food Service		
Operating Expenses	\$402,342	\$402,342
Purchase of Services	\$428,529	\$428,529
Total Increase	\$830,871	\$830,871
Department of Human Services - RF		
Behavioral Health Services		
8C Mental Health Institutes		
Mental Health Institute - Pueblo		
Operating Expenses	\$428,529	\$428,529
Total Increase	\$428,529	\$428,529