State Department of Corrections **A.R.S. § 41-1602**

Director: Terry L. Stewart JLBC Analyst: Brad Regens

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
PROGRAM BUDGET			
Prison Operations and Services			
Subprograms			
Security	246,259,900	276,927,700	297,423,700
Inmate Education, Treatment and Work Programs	34,901,300	41,805,600	43,474,000
Private Prisons	19,890,900	20,460,700	36,881,900
Inspections and Investigations	6,901,500	7,389,600	7,652,500
Health Care	75,021,000	79,599,800	85,343,700
Prison Management and Support	143,621,300	104,537,500	109,057,300
Program Subtotal - Prison Operations and Services	526,595,900	530,720,900	579,833,100
Community Corrections	8,799,800	8,740,500	9,032,100
Administration	39,568,300	24,521,500	25,386,100
TOTAL APPROPRIATIONS	**574,964,000**	**563,982,900**	**614,251,300**
OPERATING BUDGET			
Full Time Equivalent Positions	10,677.4	10,627.4	10,295.4
Personal Services	318,303,400	311,776,900	330,906,000
Employee Related Expenditures	86,371,300	88,030,200	95,514,700
Professional and Outside Services	55,798,000	57,408,800	77,226,300
Travel - In State	880,500	696,100	719,000
Travel - Out of State	118,700	85,700	65,000
Food	32,408,200	34,106,400	35,747,600
Other Operating Expenditures	75,700,400	70,242,200	72,436,100
Equipment	5,383,500	1,636,600	1,636,600
TOTAL APPROPRIATIONS	**574,964,000**	**563,982,900**	**614,251,300** 1/2/3/4/ 5/6/7/
FUND SOURCES			
General Fund	571,635,200	550,224,800	579,765,400
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	384,600	449,300	449,300
Corrections Fund	1,053,500	9,583,500	29,978,100
Penitentiary Land Fund	1,300,300	1,375,000	1,375,000
State Charitable, Penal and Reformatory Institutions Land Fund	204,200	270,000	570,000
State Education Fund for Correctional Education	386,200	2,080,300	2,113,500
Subtotal - Other Appropriated Funds	3,328,800	13,758,100	34,485,900
TOTAL APPROPRIATIONS	**574,964,000**	**563,982,900**	**614,251,300**

1/ Twenty-five percent of land earnings and interest from the State Charitable, Penal and Reformatory Institutions Land Fund shall be distributed to the State Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions. (General Appropriation Act footnote)

2/ One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the Department of Corrections in compliance with Section 25 of the Enabling Act and the Constitution to be used for the support of state penal institutions. (General Appropriation Act footnote)

3/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of $2,113,500, the Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

AGENCY DESCRIPTION — *The State Department of Corrections (ADC) maintains and administers a statewide system of prisons for the effective custody, control, correction, treatment and rehabilitation of all adult offenders legally committed to the department. Educational and treatment programs are provided for offenders so they will have opportunities to learn more responsible behaviors and increase their chance of returning to society as law-abiding citizens. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Est./Actual	FY 2002-03 Estimate
• Average yearly cost per inmate ($)	20,688/ 20,344	20,841/ 21,097	22,129/ 21,357	20,814/ 20,801
• Escapes from secure facilities	0/7	0/2	0/4	0
• Number of inmates receiving the General Equivalence Degree	NA/1,071	1,195/2,457	2,500/NA	2,550/2,600
• Number of inmate random positive urinalysis results	NA/1,069	968/1,265	1,145/NA	1,025/907
• % of agency staff turnover	NA/15.5	NA/16.6	15.6/NA	11.6
• Administration as a % of total cost	NA	6.7/NA	6.6/NA	6.6
• Customer satisfaction rating for employee satisfaction (Scale 1-8)	NA	NA	NA	6.0

Operating Budget Issues

Unfunded FTE Positions — The approved amount includes a General Fund decrease of (531) FTE Positions below FY 2002 due to the statewide elimination of unfunded FTE Positions. For details on the methodology used to calculate the reduction, please see the *General Provisions* section at the front of the *Appropriations Report*.

Population Growth — The approved amount includes a Corrections Fund increase of $5,694,200 above FY 2002 to fund the annual marginal costs for an estimated average daily population (ADP) increase of 1,544. The approved amount is based on a net growth rate of 200 inmates per month through September 2002 and 118 inmates per month each month thereafter through June 2003. The approved amount also includes funding for unanticipated inmate population growth in FY 2002 above the funded growth rate of 75 net new inmates per month. The approved FY 2003 amount provides funding for an ADP of 29,546. (*See Table 2 for additional information on actual and projected inmate population*.)

Additional Prison Capacity — The approved amount includes a Corrections Fund increase of $20,555,100 above FY 2002 to open 350 state-operated beds (the last unit at the Arizona State Prison Complex – Lewis), to contract for an additional 1,295 privately-operated beds, and to contract on a temporary basis for 229 county jail beds. By the end of FY 2003, the department's total bed capacity will be increased by 1,645 beds. The additional bed capacity will allow the department to maintain an average bed deficit of less than 2,500 beds. In addition, a new footnote (*see footnote #5 in agency data table*) allows the department to issue 2 Request for Proposals (RFP's) for an additional 3,300 privately-operated beds in FY 2004 and FY 2005.

Table 1 shows the number of new beds by bed type (state, private or county jail), the estimated opening date and the funding increase associated with each new set of beds.

Inmate Population and Bed Capacity — *Table 2* provides a comparison of the projected month-end prison population, the number of beds (expressed as Bed Capacity), the Projected Bed Shortage, and the percent of the bed deficit over operational capacity (% Over Capacity). The New Beds column indicates when beds are funded to come on-line. The inmate population projections are based on a funded growth rate of 200 new inmates per month from July through September 2002 and 118 new inmates per month thereafter.

4/ Before altering its bed capacity by closing state-operated prison beds, canceling or not renewing contracts for privately-operated prison beds, the Department of Corrections shall submit a bed plan detailing the proposed bed closures for approval by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

5/ It is the intent of the Legislature that the Arizona Department of Corrections issue 2 requests for proposals (RFP) regarding private prisons. The first RFP shall solicit bids to contract for 1,000 privately operated beds to be opened in November 2003. The second RFP shall solicit bids to privatize the non-level 5 female inmate population by contracting for 2,200 privately operated beds to be opened in August 2004. Pursuant to A.R.S. § 41-1609.01, the department shall submit the request for proposals to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote)

6/ The Lump Sum appropriation to the department includes $81,926,500 of state General Fund monies and $3,417,200 of Corrections Fund monies for costs associated with the Health Care subprogram. It is the intent of the Legislature that the department use these monies only for the Health Care Subprogram. (General Appropriation Act footnote, as adjusted for statewide allocations)

7/ General Appropriation Act (Laws 2002, Chapter 327) funds are appropriated as a Lump Sum by Agency.

Table 1

Additional Prison Capacity

Bed Type	# of Beds	Opening Date	FTE Positions	FY 2003 Funding
Private	250	July 2002	-0-	2,411,500
County Jail [1/]	229	July 2002	-0-	2,066,200
State	350	Aug 2002	195.0	7,749,100
Private	445 [2/]	Oct 2002	-0-	3,644,600
Private	200	Nov 2002	-0-	2,190,000
Private	400	March 2002	4.0	2,493,700
Private [3/]	1,000	Nov 2003	-0-	-0-
Private [3/]	2,200	Aug 2004	-0-	-0-

1/ The department's approved amount includes monies to temporarily contract for county jail beds from July through December 2002.
2/ A session law provision allows the department to enter into a private contract not to exceed an average daily population of 445 beds. The state and Maricopa and Pima Counties share the cost of the beds.
3/ A new footnote allows the department to issue two Request for Proposals to contract for additional private beds beginning in FY 2004. No monies have been added in the FY 2003 budget for these beds.

Private Prison Contract Cost Increases — The approved amount includes a General Fund increase of $3,598,000 above FY 2002 to cover increases in the per diem rate charged to the state for inmates currently housed at privately-operated prison facilities. Prior to the new private prison beds funded to open beginning in FY 2003, the state contracted for a total of 1,450 privately-operated beds. The contracts for the original 1,450 beds are expiring and the new negotiated rates are higher than the existing per diem amounts. The additional monies are to cover the new negotiated per diem rates included in the contract renewals.

Health Care Costs — The approved amount includes a General Fund increase of $1,500,000 for additional inmate health care costs above FY 2002. In addition, the approved amount includes a fund shift of $7,744,600 from the Corrections Fund to the General Fund for FY 2003. During FY 2002, the department received a $8,500,000 Corrections Fund supplemental for health care costs. The FY 2003 fund shift continues the supplemental appropriation but allocates a majority of the monies to the General Fund.

Rent Fund Shift — The approved amount includes a General Fund decrease of $(1,189,900) and a corresponding increase of $1,189,900 from the Corrections Fund to fund shift the department's rent payment from the General Fund to the Corrections Fund for FY 2003.

Inmate Programming Fund Shift — The approved amount includes a General Fund decrease of $(500,000) and a corresponding increase of $500,000 from the Corrections Fund to fund shift a portion of the inmate programming expenditures from the General Fund to the Corrections Fund for FY 2003. (*See the Inmate Education, Treatment and Work Program Subprogram.*)

Table 2

Comparison of Inmate Population and Bed Capacity

Mo/ Year	New Beds	Bed Capacity	Inmate Projection	Bed Shortage	% Over Capacity
7/01		25,452	27,276	(1,824)	7.2
8/01		25,852	27,407	(1,555)	6.0
9/01		25,852	27,451	(1,599)	6.2
10/01		25,852	27,647	(1,795)	6.9
11/01		25,852	27,800	(1,948)	7.5
12/01		25,852	28,059	(2,207)	8.5
1/02		25,916	28,296	(2,380)	9.2
2/02		25,896	28,462	(2,566)	9.9
3/02		25,896	28,740	(2,844)	11.0
4/02		25,896	28,980	(3,084)	11.9
5/02	Actual	25,980	29,046	(3,066)	11.8
6/02	Good time credit [1/]	25,980	28,496	(2,516)	9.7
7/02	250 private/229 jail	26,459	28,696	(2,237)	8.5
8/02	350 Lewis beds	26,809	28,896	(2,087)	7.8
9/02		26,809	29,096	(2,287)	8.5
10/02	445 private beds	27,254	29,214	(1,960)	7.2
11/02	200 private beds	27,454	29,332	(1,878)	6.8
12/02		27,454	29,450	(1,996)	7.3
1/03	Eliminate jail beds	27,225	29,568	(2,343)	8.6
2/03		27,225	29,686	(2,461)	9.0
3/03	400 private beds	27,625	29,804	(2,179)	7.9
4/03		27,625	29,922	(2,297)	8.3
5/03		27,625	30,040	(2,415)	8.7
6/03		27,625	30,158	(2,533)	9.2
7/03		27,625	30,276	(2,651)	9.6
8/03		27,625	30,394	(2,769)	10.0
9/03		27,625	30,512	(2,887)	10.5
10/03		27,625	30,630	(3,005)	10.9
11/03	1,000 private beds	28,625	30,748	(2,123)	7.4
12/03		28,625	30,866	(2,241)	7.8
1/04		28,625	30,984	(2,359)	8.2
2/04		28,625	31,102	(2,477)	8.7
3/04		28,625	31,220	(2,595)	9.1
4/04		28,625	31,338	(2,713)	9.5
5/04		28,625	31,456	(2,831)	9.9
6/04		28,625	31,574	(2,949)	10.3
7/04		28,625	31,692	(3,067)	10.7
8/04	Privatize female pop	30,825	31,810	(985)	3.2
9/04		30,825	31,928	(1,103)	3.6
10/04		30,825	32,046	(1,221)	4.0
11/04		30,825	32,164	(1,339)	4.3
12/04		30,825	32,282	(1,457)	4.7
1/05		30,825	32,400	(1,575)	5.1
2/05		30,825	32,518	(1,693)	5.5
3/05		30,825	32,636	(1,811)	5.9
4/05		30,825	32,754	(1,929)	6.3
5/05		30,825	32,872	(2,047)	6.6
6/05		30,825	32,990	(2,165)	7.0

1/ Laws 2002, Chapter 321, allowed the department to include time served in county jails towards an inmate's earned release credit total. It is anticipated that this provision would result in the release of 694 inmates. Pursuant to statute, earned release credits are calculated at 1 day for every 6 days of good behavior. Because the statutory change did not include a retroactivity clause, the statutory change may not result in the release of existing inmates as shown in the table.

Security Fund Shift — The approved amount includes a General Fund decrease of $(300,000) and a corresponding increase of $300,000 from the State Charitable, Penal, and Reformatory Institutions Land Fund to fund shift a portion of security expenditures at the various prison complexes from the General Fund. The State Charitable, Penal, and Reformatory Institutions Land Fund is used by the department for the benefit and support of state penal institutions. (*See the Security Subprogram.*)

Prison Management Fund Shift — The approved amount includes a General Fund decrease of $(200,000) and a corresponding increase of $200,000 from the Corrections Fund to fund shift a portion of the administrative costs incurred directly at the individual prison complexes from the General Fund to the Corrections Fund for FY 2003. (*See the Prison Management and Support Subprogram.*)

Protective Service Unit — The approved amount includes a General Fund decrease of $(100,000) below FY 2002 for costs associated with a department security unit. The unit was created by the department to protect ADC employees and investigate threats against ADC employees by current or former prison inmates. The department funded all of the unit's costs with vacancy savings until FY 2002 when the Legislature appropriated $205,300 in General Fund monies to offset a portion of the unit's costs. The $(100,000) cut reduces the General Fund offset to $105,300.

Administrative Savings — The approved amount includes a General Fund decrease of $(92,500) below FY 2002 due to a reduction in the department's administrative costs.

Out-of-State Travel Reduction — The approved amount includes a General Fund decrease of $(25,000) below FY 2002 for a reduction to Out-of-State Travel expenditures.

Program Budget

Prison Operations and Services Program — This program includes the administration and operation of the Arizona prison system.

Security Subprogram — This subprogram maintains safe and secure prisons through the training and management of security staff and oversight of the inmate population.

Security Subprogram by Fund Source

Fund Source	FY 2003
General Fund	$286,854,800
Corrections Fund	8,623,900
State Charitable, Penal and Reformatory Institutions Land Fund	570,000
Penitentiary Land Fund	1,375,000
TOTAL	$297,423,700

Inmate Education, Treatment and Work Programs Subprogram — This subprogram provides inmates with pre-release opportunities to improve their education and vocational skills, and address substance abuse issues.

The approved amount includes a FY 2003 State Education Fund for Correctional Education increase of $28,100 above FY 2002 due to an increase in the Basic State Aid funding that ADC receives to provide statutorily required education. By statute, the department is required to provide educational services to inmates under the age of 18 years and to inmates with disabilities who are age 21 or younger.

Inmate Education, Treatment and Work Programs Subprogram by Fund Source

Fund Source	FY 2003
General Fund	$39,848,200
Alcohol Abuse Treatment Fund	449,300
State Education Fund for Correctional Education	2,113,500
Corrections Fund	1,063,000
TOTAL	$43,474,000

Private Prisons Subprogram — This subprogram manages the state's private prison contracts and monitors private prisons housing department inmates to ensure the facilities are safe, secure and cost-efficient. This subprogram is funded from the General Fund ($24,075,900) and the Corrections Fund ($12,806,000).

Inspections and Investigations Subprogram — This subprogram conducts annual inspections and audits of all prison complexes, and conducts administrative, criminal and special investigations of inmates and staff to enhance and maintain prison security. This subprogram is funded from the General Fund ($7,534,800) and the Corrections Fund ($117,700).

Health Care Subprogram — This subprogram provides medical, dental, mental health, nursing and pharmaceutical services to inmates, and occupational health safety services to department employees. The approved appropriation is funded from the General Fund ($81,926,500) and the Corrections Fund ($3,417,200).

Prison Management and Support Subprogram — This subprogram provides administrative support at the prison complexes including budget management, fleet management, maintenance and food services. The approved appropriation is funded from the General Fund ($106,653,500) and the Corrections Fund ($2,403,800).

Community Corrections Program — This program provides supervision of released offenders, performs pre-release placement investigations, provides inmates referrals to community services, and identifies parole

violations for return to custody. The approved appropriation is funded from the General Fund.

Administration Program — This program provides general administrative support to the department including budget, personnel, computer services, and strategic management. The approved appropriation is funded from the General Fund ($23,839,600) and the Corrections Fund ($1,546,500).

Additional Legislation: Omnibus Budget Reconciliation; Public Finances (Chapter 328) — Authorizes the department to contract for privately-operated prison beds at a per diem rate not to exceed $43.60 for a bed level not to exceed an average daily population of 445 from October 2002 through June 2003. The department shall submit the negotiated rate to the Joint Legislative Budget Committee for review before finalizing the contract. The state and Maricopa and Pima Counties shall share the per diem costs. The state shall pay the costs up to $30 per day per bed with any costs above $30 up to the $43.60 limit paid by Maricopa and Pima Counties. The county share shall be paid 82% by Maricopa and 18% by Pima. For FY 2003, the Department of Corrections is exempt from the state procurement code for the purposes of entering into private prison contracts.

In addition, allows the department to use Arizona Correctional Industries Revolving Fund monies for inmate programming activities. Also, requires the department to give consideration to contracting for private beds before constructing new state-operated prison beds or expanding existing state prison facilities.

Other Issues: Corrections Fund — The Corrections Fund is for the construction, major maintenance, and purchase or lease of correctional facilities or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. Revenues deposited to the fund are from luxury taxes on alcohol and tobacco products. *Table 3* shows revenue and expenditures for the fund through FY 2003.

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Table 3

CORRECTIONS FUND
Estimated Revenue and Expenditure Projections
($ in Thousands)

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Estimate
Beginning Balance	**$ 23,938.6**	**$44,338.2**	**$ 479.2**
Revenues	25,511.5	26,000.0	26,600.0
Other Deposits	0.0	2,000.0	0.0
Sale of Arizona Center for Women	0.0	0.0	3,500.0
Transfer to General Fund	0.0	(49,500.0)	0.0
Total Revenues	25,511.5	(21,500.0)	30,100.0
Total Funds Available	**$49,450.1**	**$22,838.2**	**$30,579.2**
Expenditures			
ADOA Staffing	553.7	574.7	571.6
Apache County Lease	1,052.5	1,052.5	1,083.5
Prior Year Capital Projects			
Globe 100 Level 3 Beds	8.2	0.0	0.0
Youthful Offender 100 Beds	1.9	0.0	0.0
Yuma 800 Level 4 Beds	200.1	441.3	0.0
Lewis Complex	1,747.5	1,648.6	0.0
Perryville Lock Replacement	54.5	30.7	0.0
Douglas Wastewater	266.7	491.1	0.0
DJC Beds	236.0	0.0	0.0
Tucson II Complex	990.8	3,870.6	30,069.7
ADC Lock Replacement	0.0	600.0	0.0
ADC Building Renewal	0.0	2,759.4	0.0
ADC Safety Improvements	0.0	1,379.4	0.0
ADC Fort Grant Landfill Closure	0.0	555.3	0.0
DJC Building Renewal	0.0	220.4	0.0
DJC Medical Unit	0.0	185.0	0.0
DJC HVAC Replacement	0.0	50.0	0.0
FY 2003 Capital Budget			
Tucson II Complex Funding	0.0	0.0	(30,069.7)
FY 2003 Operating Budget			
ADC Inmate Growth	0.0	0.0	5,694.2
ADC 350 Lewis Beds	0.0	0.0	7,749.1
ADC 445 Private Beds	0.0	0.0	3,644.6
ADC 400 Private Beds	0.0	0.0	2,493.7
ADC 250 Private Beds	0.0	0.0	2,411.5
ADC 200 Private Beds	0.0	0.0	2,190.0
ADC 229 Temporary Jail Beds	0.0	0.0	2,066.2
ADC Operating Fund Shifts	0.0	0.0	1,889.9
ADC Inmate Health Care	0.0	8,500.0	755.4
Total Expenditures	5,111.9	22,359.0	30,549.7
Fund Balance	**$44,338.2**	**$479.2**	**$29.5**