

Director: Dora B. Schriro

JLBC Analyst: Tony Vidale

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	10,295.4	10,039.4	10,322.4
Personal Services	325,211,500	329,470,300	352,387,000
Employee Related Expenditures	92,589,600	115,707,400	119,116,600
Professional and Outside Services	67,077,800	83,571,600	72,892,200
Travel - In State	291,900	293,900	308,300
Travel - Out of State	94,800	130,400	150,000
Other Operating Expenditures	72,177,900	75,294,500	82,872,000
Food	32,151,600	34,197,200	34,466,600
Equipment	5,398,600	852,500	1,107,700
<b>OPERATING SUBTOTAL</b>	<b>594,993,700</b>	<b>639,517,800</b>	<b>663,300,400</b>
<b>SPECIAL LINE ITEMS</b>			
Second Special Session Funding	0	10,209,200 <sup>1/</sup>	0 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>594,993,700</b>	<b>649,727,000</b>	<b>663,300,400</b> <sup>3/4/5/6/7/8/</sup>
<b>FUND SOURCES</b>			
General Fund	574,475,200	607,112,400	620,945,800
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	424,500	449,300	449,300
Corrections Fund	16,784,200	38,353,900	28,674,300
Penitentiary Land Fund	1,203,500	869,200	869,200
Prison Construction and Operations Fund	0	250,000	10,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	397,700	570,000	570,000
State Education Fund for Correctional Education	1,708,600	2,122,200	1,541,800
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>20,518,500</b>	<b>42,614,600</b>	<b>42,354,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>594,993,700</b>	<b>649,727,000</b>	<b>663,300,400</b>
Other Non-Appropriated Funds	30,427,300	39,084,600	39,084,600
Federal Funds	1,134,800	1,754,100	1,754,100
<b>TOTAL - ALL SOURCES</b>	<b>626,555,800</b>	<b>690,565,700</b>	<b>704,139,100</b>

**AGENCY DESCRIPTION** — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

1/ Laws 2003, 2<sup>nd</sup> Special Session, Chapter 5 appropriated \$10,209,200 to address prison overcrowding and staffing issues.  
 2/ The monies appropriated pursuant to Laws 2003, 2<sup>nd</sup> Special Session, Chapter 5 are displayed in the agency's operating budget in FY 2005.  
 3/ 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)  
 4/ 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)  
 5/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$1,541,800, 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)  
 6/ 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)  
 7/ General Appropriation Act funds are appropriated as a Lump Sum by Agency.  
 8/ The Arizona Department of Corrections shall continue to proceed with privatization of a prison for the female inmate population. The female inmates would be relocated to a privately-operated facility during FY 2006. (General Appropriation Act footnote)

PERFORMANCE MEASURES	FY 2003	FY 2003	FY 2004	FY 2005
	Appropriation	Actual	Appropriation	Appropriation
• Average yearly cost per inmate (\$)	20,801	19,505	20,174	20,100
• Escapes from secure facilities	0	0	0	0
• Number of inmates receiving the General Equivalence Degree	2,600	791	1,123	1,179
• Number of inmate random positive urinalysis results	907	1,037	1,010	1,000
• % of agency staff turnover	11.6	17.5	17.6	14.6
• Administration as a % of total cost	6.6	4.1	7.5	4.5
• Customer satisfaction rating for employee satisfaction (Scale 1-8)	6.0	NA	6.1	6.5

**Comments:** The agency did not submit information for any measure labeled as “NA.” The agency reports that the General Equivalence Degree performance measure was not met due to national suspension of the test from January to May 2003 due to test answers being compromised in another state.

### Operating Budget

The approved amount includes \$663,300,400 for the operating budget in FY 2005. This amount consists of:

General Fund	\$620,945,800
Alcohol Abuse Treatment Fund	449,300
Corrections Fund	28,674,300
Penitentiary Land Fund	869,200
Prison Construction and Operations Fund	10,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	570,000
State Education Fund for Correctional Education	1,541,800

This amount includes an increase for statewide salary and other adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

### Second Special Session Funding

Laws 2003, Chapter 5, 2<sup>nd</sup> Special Session appropriated \$10,209,200 to address prison overcrowding and staffing issues. This supplemental appropriation consisted of \$9,959,200 from the Corrections Fund and \$250,000 from the newly established Prison Construction and Operations Fund. The newly created fund receives revenues from a new assessment paid by persons convicted of driving under the influence offenses.

The main provisions of Chapter 5 provided an unspecified number of provisional beds, 1,000 new state beds and 1,000 new private beds, funded 138 County jail beds, and provided monies for Correctional Officer recruitment. *Table 1* summarizes the FY 2004 appropriations from the 2<sup>nd</sup> Special Session and the FY 2005 appropriations for the provisions, which includes the annualization costs of new beds. The department projects total costs of \$42,471,200 in FY 2005 for the beds authorized in Chapter 5. Of the total cost, \$10,136,700 will be funded from the agency’s FY 2005 appropriation, \$2,150,000 from FY 2004 non-lapsing monies, and \$30,184,500 from Federal Funds.

**Table 1**

### Laws 2003, Chapter 5, 2<sup>nd</sup> Special Session Appropriations

Issue	FY 2004	FY 2005
	Estimate	Approved
Provisional Prison Beds <sup>1/</sup>	\$ 859,200	\$ 4,371,500
State Match Monies	2,400,000 <sup>2/</sup>	0 <sup>2/</sup>
County Jail Beds	1,700,000	2,518,500
1,000 State Beds <sup>3/</sup>	0	2,542,700
1,000 New Private Beds	0	454,000
Correctional Officer Bonus	5,000,000	0
Drug Treatment Pilot Program	250,000	250,000
Total Expenditures	\$10,209,200	\$10,136,700 <sup>4/</sup>
Fund Sources:		
General Fund	\$ 0	\$ 700,000
Corrections Fund	9,959,200	250,000
Prison Construction and Operations Fund	250,000	9,186,700
Total Fund Sources	\$10,209,200	\$10,136,700

<sup>1/</sup> ADC expects to add 2,064 provisional beds.

<sup>2/</sup> State match monies appropriated from Chapter 5 are non-lapsing and will be applied to the costs of provisional beds in FY 2005. The department estimates spending \$2,150,000 of the \$2,400,000 appropriation in FY 2005.

<sup>3/</sup> The department was authorized to issue Certificates of Participation (COPs) not to exceed \$37.5 million to build the beds. Expenditures shown represent operational costs only.

<sup>4/</sup> Total costs estimated to be \$42.5 million, with \$30.2 million funded by one-time monies from the federal Violent Offender Incarceration and Truth-in-Sentencing (VOITIS) grant and \$12.3 million from state funding including non-lapsing monies from FY 2004.

The annualization of these items is incorporated in the following adjustments:

#### Annualize Provisional and County Jail Beds

The budget includes an Other Appropriated Fund increase of \$1,930,800 to provide full-year funding for 2,202 beds added in FY 2004. This includes an increase of \$6,890,000 from the Prison Construction and Operations Fund and a decrease of \$(4,959,200) from the Corrections Fund.

The 2<sup>nd</sup> Special Session authorized the addition of 138 beds at the Navajo and Coconino County jails and 2,064 beds located in out-of-state correctional facilities. (While the special session legislation did not specify the number of provisional beds, ADC has subsequently provided the 2,064 estimate.) The department has a total of \$2,518,500 to contract for the county jail beds in FY 2005 and \$4,371,500 for the temporary out-of-state beds. The remainder of the costs for the temporary out-of-state beds in FY 2005 (approximately \$24.2 million) will be covered using Federal Funds from the non-appropriated Violent Offender – Truth-in-Sentencing (VOITIS) Grant.

*1,000 State Prison Beds*

The budget includes a General Fund increase of \$246,000 and an Other Appropriated Fund increase of \$2,296,700 to open 1,000 state-operated beds in FY 2005. The increase in Other Appropriated Funds includes \$250,000 from the Correction Fund and \$2,046,700 from the Prison Construction and Operations Fund. The approved amount will fund the opening of state-operated beds authorized by Laws 2003, Chapter 5, 2<sup>nd</sup> Special Session, and will expand capacity by 500 beds at Perryville, 300 beds at Tucson, and 200 beds at Douglas. The beds will house Level 1 inmates (minimum-security) and be ready for occupancy in December 2004. (See Table 2 for additional information on actual inmate population and bed deficits.)

**Table 2**

**Comparison of Inmate Population and Bed Capacity**

<u>Mo/ Year</u>	<u>Operational Capacity</u>	<u>Actual Population</u>	<u>Bed Shortage</u>	<u>% Over Capacity</u>
6/03	27,178	30,898	(3,720)	13.7
6/04 <sup>1/</sup>	29,390	31,922	(2,675)	9.1
6/05	31,390	33,445	(2,055)	6.5

<sup>1/</sup> Actuals as of June 21, 2004.

*1,000 New Private Beds*

The budget includes a General Fund increase of \$454,000 to open 1,000 new privately-operated beds in FY 2005 authorized by Chapter 5. The department projects an opening date of March 2005.

*Hiring Incentive*

The budget includes a Corrections Fund decrease of \$(5,000,000) for Correctional Officer hiring bonuses and pay stipends paid in FY 2004. Laws 2003, Chapter 5, 2<sup>nd</sup> Special Session provided \$5 million for retention stipends of \$100 per pay period and recruitment bonuses of \$5,160 for correctional officers, sergeants, and lieutenants assigned to the Arizona State Prison Complexes at Lewis, Florence, and Eyman. The approved amount removes these monies from the department’s base appropriation.

*Drug Treatment Pilot Program*

The budget includes a continuation of funding for a drug treatment pilot program. Chapter 5 appropriated \$250,000

from the Prison Construction and Operations Fund to contract with a private or nonprofit entity for a drug treatment pilot program at a state prison facility.

**Other Issues**

The budget also includes the following adjustments:

*1,000 Kingman Private Beds*

The budget includes a Prison Construction and Operations Fund increase of \$1,063,300 to fund 1,000 privately-operated prison beds in FY 2005. The additional private beds are part of the 1,400-bed Kingman private prison project authorized by the Legislature in FY 2003.

*Population Growth*

The budget includes a General Fund increase of \$1,925,200 to fund the annual marginal costs for an estimated average daily population (ADP) increase of 1,380 in FY 2005. The approved amount is based on a net growth of rate of 115 inmates per month and a FY 2005 ADP of 33,508.

*Restore Funding for State Beds*

The budget includes a General Fund increase of \$2,623,900 and 263 FTE Positions to restore funding for state-operated beds identified for closure in FY 2004. In FY 2004, the Legislature directed the department to close 1,350 state beds and utilize a portion of the savings to contract for private beds. The state-operated beds, however, were not closed due to overcrowding in the prison system. The approved amount will restore funding for 263 security positions for beds that will remain open in FY 2005.

*Inmate Fire Crews*

The budget includes a General Fund increase of \$804,300 and 18 FTE Positions for additional inmate fire crews in FY 2005. The approved amount will fund 18 security positions for 6 new inmate fire crews that aid in wildland fires, fire prevention, and control brush in high-risk areas. (See State Land Department narrative for more information.)

*Inmate Records Backlog*

The budget includes a General Fund increase of \$390,800 and 10 FTE Positions to address a backlog of inmate records in FY 2005. The approved amount will add 10 staff positions in the records section to alleviate a 6-month records backlog calculating each inmate’s earned release credits and monitoring release dates.

*Substance Abuse and Sex Offender Treatment*

The budget includes a General Fund increase of \$1,153,600 and 21 FTE Positions for expanded substance abuse and sex offender treatment in FY 2005. The approved amount includes \$682,000 for expanded substance abuse treatment and \$471,600 for sex offender treatment for an additional 348 offenders.

### Medical Care Savings

The budget includes a General Fund decrease of \$(2,445,200) for efficiency savings in inmate medical care costs in FY 2005. The medical care costs savings are associated with inpatient, outpatient, and transportation costs for inmates treated outside the prison complex.

### Lethal Fence

The budget includes a General Fund decrease of \$(709,600) and (21) FTE Positions for the use of a lethal fence installed in FY 2004. The installation of an electrified lethal fence at the Florence prison complex eliminates the need for guard towers in the area of the new fence and allows for a reduction of correctional officer positions that staffed the towers.

### Pharmacy Centralization

The budget includes a General Fund decrease of \$(230,100) and (8) FTE Positions for pharmacy centralization in FY 2005. The approved amount requires the closing of full-service pharmacies at each prison complex and centralization of all services at 2 regional locations.

### Education Fund Adjustment

The budget includes a State Education Fund for Correctional Education decrease of \$(584,400) due to a decrease 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.

### Fund Transfers

#### Arizona Correctional Industries Revolving Fund

The General Appropriation Act transfers \$500,000 from the Arizona Correctional Industries (ACI) Revolving Fund to the General Fund in FY 2005. This transfer is not part of the agency's appropriation and is not reflected in the table above.

### Additional Legislation

#### Criminal Justice; Budget Reconciliation

The Criminal Justice Budget Reconciliation Bill (Laws 2004, Chapter 281) includes a permanent law provision requiring ADC to privatize inmate stores. The department is required to issue a request for proposal and award a contract to operate inmate stores by January 1, 2005. The director may use state profits for inmate activities, incentive pay, safety equipment, and other official needs.

Chapter 281 amends, as session law, Laws 2003, 2<sup>nd</sup> Special Session, Chapter 5 to allow Certificates of Participation (COP) proceeds be used for furniture, fixtures and equipment as well as prison construction costs. Chapter 5 authorized the issuance of \$37.5 million to construct 1,000 state prison beds.

Chapter 281 continues as session law the ADC exemption from the procurement code for private incarceration contracts in FY 2005. The exemption allows the department to enter into direct negotiations with private prison vendors and expedite the process of adding beds to the prison system.

### 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 lists current and estimated Corrections Fund expenditures.

Table 3

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

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Estimate
<b>Beginning Balance</b>	<b>\$ 11,550.4</b>	<b>\$ 18,211.9</b>	<b>\$ 3,370.3</b>
Revenues	26,638.8	27,247.9	27,792.9
Other Deposits	690.9	0.0	0.0
Total Revenues	27,329.7	27,247.9	27,792.9
<b>Total Funds Available</b>	<b>\$ 38,880.1</b>	<b>\$ 45,459.8</b>	<b>\$ 31,163.2</b>
<b>Expenditures</b>			
ADOA Staffing	560.9	628.1	636.1
Apache County Lease	1,056.5	1,083.5	1,083.5
<b>Prior Year Capital Projects</b>			
ADC Yuma 800 Beds	36.1	0.0	0.0
ADC Lock Replacement	18.6	0.0	0.0
ADC Lewis Complex <sup>1/</sup>	11.3	1,165.4	0.0
ADC Building Renewal	1,021.3	269.2	0.0
ADC Safety Improvements	156.1	1,206.5	0.0
ADC Fort Grant Landfill Closure	230.7	318.8	0.0
DJC Medical Unit	7.2	0.0	0.0
DJC HVAC Renovations	15.9	0.0	0.0
DJC Building Renewal	128.1	147.6	0.0
<b>Operating Budget</b>			
ADC Operating Costs	7,870.7	12,709.0	12,988.6
ADC Privately-Operated Beds	5,790.8	14,602.2	14,602.2
ADC 229 Temporary Jail Beds	2,066.2	0.0	0.0
Laws 2003, Ch. 5, 2 <sup>nd</sup> SS	0.0	9,959.2	0.0
Total Expenditures	18,970.4	42,089.5	29,310.4
<b>Fund Balance</b>	<b>\$19,909.7</b>	<b>\$ 3,370.3</b>	<b>\$ 1,852.8</b>

<sup>1/</sup> Laws 2003, Chapter 1, 1st Special Session reverted remaining FY 2003 non-lapsing appropriations. The FY 2004 expenditure is a reversion to the federal grant program Violent Offender Incarceration and Truth-in-Sentencing (VOITIS).

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