

State Department of Corrections

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DESCRIPTION	FY 2003	FY 2004	FY 2005	
	ACTUAL	ESTIMATE	OSPB	JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	10,295.4	10,039.4		10,039.4
Personal Services	325,211,500	329,470,300		329,470,300
Employee Related Expenditures	92,589,600	113,917,800		113,917,800
Professional and Outside Services	67,077,800	83,571,600		83,571,600
Travel - In State	291,900	293,900		293,900
Travel - Out of State	94,800	130,400		130,400
Other Operating Expenditures	72,177,900	75,294,500		75,294,500
Food	32,151,600	34,197,200		34,197,200
Equipment	5,398,600	852,500		852,500
OPERATING SUBTOTAL	594,993,700	637,728,200		637,728,200
SPECIAL LINE ITEMS				
Second Special Session Funding	0	10,209,200		10,209,200
AGENCY TOTAL	594,993,700	647,937,400		647,937,400

FUND SOURCES

General Fund	574,475,200	605,322,800		605,322,800
<u>Other Appropriated Funds</u>				
Alcohol Abuse Treatment Fund	424,500	449,300		449,300
Corrections Fund	16,784,200	38,353,900		28,394,700
Penitentiary Land Fund	1,203,500	869,200		869,200
Prison Construction and Operations Fund	0	250,000		10,209,200
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		2,122,200
SUBTOTAL - Other Appropriated Funds	20,518,500	42,614,600		42,614,600
SUBTOTAL - Appropriated Funds	594,993,700	647,937,400		647,937,400
Other Non-Appropriated Funds	30,427,300	39,084,600		39,084,600
Federal Funds	1,134,800	1,754,100		1,754,100
TOTAL - ALL SOURCES	626,555,800	688,776,100		688,776,100

CHANGE IN FUNDING SUMMARY

	FY 2004 to FY 2005 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

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.

PERFORMANCE MEASURES	FY 2003 Appropriation	FY 2003 Actual	FY 2004 Appropriation	FY 2005 Recommend.
• 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.

RECOMMENDED CHANGES FROM FY 2004

Operating Budget

The JLBC recommends \$637,728,200 for the operating budget in FY 2005. This amount includes:

General Fund	\$605,322,800
Alcohol Abuse Treatment Fund	449,300
Corrections Fund	28,394,700
Penitentiary Land Fund	869,200
State Charitable, Penal and Reformatory Institutions Land Fund	570,000
State Education Fund for Correctional Education	2,122,200

These amounts are unchanged from FY 2004. Additional monies, however, will be required in FY 2005 to fund the costs of additional beds and operating expenses added as a result of Laws 2003, Chapter 5, 2nd Special Session. These additional costs will depend on how the department allocates the 2nd Special Session supplemental appropriation. (See the discussion under *Second Special Session Funding Special Line Item* for more information.)

Special Line Items

Second Special Session Funding

This Special Line Item consists of monies appropriated from Laws 2003, Chapter 5, 2nd Special Session to address prison overcrowding and staffing issues. In FY 2004, a supplemental appropriation of \$10,209,200 was added to the department’s budget, of which \$9,959,200 was appropriated from the Corrections Fund and \$250,000 from the newly created Prison Construction and Operations Fund. *Table 1* summarizes the FY 2004 appropriations from the 2nd Special Session.

Table 1

Laws 2003, Chapter 5, 2nd Special Session Appropriations

Issue	FY 2004 Appropriation
Provisional Prison Beds	\$ 859,200
State Match Monies	2,400,000
County Jail Beds	1,700,000
Correctional Officer Bonus	5,000,000
Drug Treatment Pilot Program	250,000
Total Expenditures	\$10,209,200
Fund Sources:	
Corrections Fund	9,959,200
Prison Construction and Operations Fund	250,000
Total Fund Sources	\$10,209,200

Chapter 5 contained the following provisions:

- Appropriated \$859,200 from the Corrections Fund in FY 2004 for an unspecified number of provisional prison beds. The appropriation is considered state match to any available federal monies.
- Required ADC to negotiate contracts or amendments to existing contracts for the construction of 1,000 new private prison beds not previously authorized by the Legislature.
- Authorized the issuance of Certificates of Participation (COPs) to expand existing state prison facilities by 1,000 beds, with total construction costs not to exceed \$37,496,000.
- Appropriated \$1,700,000 from the Corrections Fund in FY 2004 to contract for 50 beds in Navajo County and 88 beds in Coconino County at existing county jail facilities.
- Appropriated \$5,000,000 from the Corrections Fund in FY 2004 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.
- Appropriated \$2,400,000 from the Corrections Fund in FY 2004 to be used as state match monies for the cost of provisional beds in FY 2005, per diem costs

for 1,000 private beds in FY 2004 or FY 2005, and debt service on 1,000 state beds in FY 2004 or FY 2005. These monies are non-lapsing which makes them available to ADC in FY 2005 if unspent in FY 2004.

- Established the Prison Construction and Operations Fund for costs related to prison overcrowding and department support and maintenance. The fund will receive revenues from a new assessment paid by persons convicted of driving under the influence offenses.
- Appropriated the first \$250,000 deposited into 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.
- Reduced ADC's FY 2004 General Fund employer health insurance premium costs by \$3,100,000.

FY 2005

The JLBC recommends continuing the \$10,209,200 appropriated in the 2nd Special Session but shifting the fund source from the Corrections Fund to the Prison Construction and Operations Fund in FY 2005. The FY 2004 appropriation from the Corrections Fund utilizes a one-time fund balance, which is not projected to be available in FY 2005.

The beds added to ADC's capacity will have annualization costs in FY 2005; however, the total cost is unknown at this time. The annualized costs will depend on the number of beds added, the cost per bed, and when the beds open.

JLBC Staff estimates that the provisions contained in Chapter 5 will have a potential cost in FY 2005 between \$46 million and \$73 million. If the \$10.2 million appropriated from the 2nd Special Session is continued, the department would require additional funding in FY 2005 between \$36 million and \$63 million to annualize the costs of the provisions in Chapter 5. A potential funding source for these additional costs are federal monies from the Violent Offender Incarceration and Truth-in-Sentencing (VOITIS) grants. A one-time balance of \$34 million could be used in FY 2005 to cover 90% of the costs of the provisional beds, 1,000 private prison beds, or for the capital costs of the 1,000 state beds.

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 2* lists current and recommended Corrections Fund expenditures.

	FY 2003	FY 2004	FY 2005
	Actual	Estimate	Estimate
Beginning Balance	\$ 11,550.4	\$ 18,211.9	\$ 3,370.3
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
Total Funds Available	\$ 38,880.1	\$ 45,459.8	\$ 31,163.2
<u>Expenditures</u>			
ADOA Staffing	560.9	628.1	636.1
Apache County Lease	1,056.5	1,083.5	1,083.5
Prior Year Capital Projects			
ADC Yuma 800 Beds	36.1	0.0	0.0
ADC Lock Replacement	18.6	0.0	0.0
ADC Lewis Complex ^{1/}	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
Operating Budget			
ADC Operating Costs	9,568.5	12,709.0	12,709.0
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 nd SS	0.0	9,959.2	0.0
Total Expenditures	20,668.2	42,089.5	29,030.8
Fund Balance	\$18,211.9	\$ 3,370.3	\$ 2,132.4
<small>1/ 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).</small>			

Inmate Population and Bed Capacity

The bed deficit at the end of FY 2005 would range between 2,400 and 3,100 assuming: 1) growth of 160 inmates per month, 2) between 1,400 and 2,100 provisional beds are added to ADC's capacity from the 2nd Special Session, 3) 1,000 new private beds are opened, 4) 1,000 new public beds are opened, and 5) 138 county beds are included in the bed capacity.

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

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.

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.

Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$2,066,100, the Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

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.

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.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the one-time footnote requiring the department to report to the Joint Legislative Budget Committee on the possibility of expanding the use of inmate labor for state government clerical work.

SUMMARY OF FUNDS	FY 2003 Actual	FY 2004 Estimate
Alcohol Abuse Treatment (DCA2204/A.R.S. § 31-255)		Appropriated
Source of Revenue: The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses. The average charge for inmate labor is \$0.75 per hour.		
Purpose of Fund: To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
Funds Expended	424,500	449,300
Year-End Fund Balance	1,900	202,600
Arizona Correctional Industries Revolving (DCA4002/A.R.S. § 41-1624)		Non-Appropriated
Source of Revenue: Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
Purpose of Fund: To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs.		
Funds Expended	19,171,700	22,103,600
Year-End Fund Balance	3,837,500	2,491,900
Corrections (DCA2088/A.R.S. § 41-1641)		Appropriated
Source of Revenue: Luxury taxes on alcohol and tobacco products.		
Purpose of Fund: For the construction, major maintenance, purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities.		
Funds Expended	16,784,200	38,353,900
Year-End Fund Balance	14,189,200	3,370,300
Criminal Justice Enhancement (DCA2035/A.R.S. § 41-2401)		Non-Appropriated
Source of Revenue: The fund receives 11.7% of Criminal Justice Enhancement Fund (CJEF) monies. CJEF consists of a penalty assessment on fines, violations, forfeitures, and penalties imposed by the courts for criminal offenses and civil motor vehicle statute violations.		
Purpose of Fund: For distribution to counties for the training of detention officers, county jail operational enhancement, and ADC administrative expenses.		
Funds Expended	3,930,300	4,040,400
Year-End Fund Balance	12,500	16,800

SUMMARY OF FUNDS	FY 2003 Actual	FY 2004 Estimate
Donations (DCA3147/A.R.S. § 41-1605)		Non-Appropriated
Source of Revenue: Private grants and monies received from the disposal of donated properties.		
Purpose of Fund: To be used as specified by the particular donation.		
Funds Expended	5,300	0
Year-End Fund Balance	15,100	2,200
Drug Treatment and Education Revolving (DCA2277/AR.S. § 42-3106)		Non-Appropriated
Source of Revenue: The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
Purpose of Fund: To provide rehabilitation programs and counseling for inmates, who have a history of substance abuse, released on parole.		
Funds Expended	4,302,900	4,298,100
Year-End Fund Balance	2,299,600	821,500
Federal (DCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Education and other law enforcement related federal grants.		
Purpose of Fund: For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
Funds Expended	1,134,800	1,754,100
Year-End Fund Balance	140,400	94,500
Indirect Cost Recovery (DCA9000/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
Purpose of Fund: To pay departmentwide administrative and overhead costs.		
Funds Expended	30,700	2,138,400
Year-End Fund Balance	1,606,300	27,900
Interagency Service Agreement (DCA2500/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Intergovernmental agreements between ADC and other state and local entities.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	266,700	180,000
Year-End Fund Balance	170,700	10,500
Penitentiary Land (DCA3140/A.R.S. § 37-525)		Partially Appropriated
Source of Revenue: Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance. Not included are lease payments for Adobe Mountain and Black Canyon Department of Juvenile Corrections facilities totaling \$526,000 in FY 2003. No lease payments are expected in FY 2004.		
Appropriated Funds Expended	1,203,500	869,200
Non-Appropriated Funds Expended	5,800	0
Year-End Fund Balance*	49,900	(118,700)
Prison Construction and Operations Fund (A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$250 to \$1,500) paid by persons convicted of driving under the influence offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	0	250,000
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2003 Actual	FY 2004 Estimate
Risk Management Insurance Reimbursement (DCA3748/A.R.S. § 41-1604)		Non-Appropriated
Source of Revenue: Funds from the Risk Management Revolving Fund administered by the ADOA.		
Purpose of Fund: Reimbursements for losses of state property.		
Funds Expended	220,500	2,985,000
Year-End Fund Balance	1,192,800	196,800
Special Services (DCA3187/A.R.S. § 41-1604.03)		Non-Appropriated
Source of Revenue: Profits from canteens, hobby shops, and commissions on telephone service.		
Purpose of Fund: For the benefit, education, and welfare of committed offenders, and operating expenses of canteens and hobby shops. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis.		
Funds Expended	2,448,200	3,259,100
Year-End Fund Balance	584,500	634,000
State Charitable, Penal, and Reformatory Institutions Land (DCA3141/A.R.S. § 37-525)		Partially Appropriated
Source of Revenue: Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
Purpose of Fund: To provide a continuous source of monies for the benefit and support of state penal institutions.		
Appropriated Funds Expended	397,700	570,000
Non-Appropriated Funds Expended	45,200	80,000
Year-End Fund Balance	584,500	360,900
State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)		Appropriated
Source of Revenue: "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. §15-1372.		
Purpose of Fund: To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
Funds Expended	1,708,600	2,122,200
Year-End Fund Balance	286,600	0
Statewide Employee Recognition Gifts/Donations (DCA2449/A.R.S. § 41-776)		Non-Appropriated
Source of Revenue: Gifts and donations from public and private entities.		
Purpose of Fund: For employee recognition programs that recognize and award the performance, achievement, longevity or major life event of department employees.		
Funds Expended	0	0
Year-End Fund Balance	200	200
Transition Office (DCA2379/A.R.S. § 31-284)		Appropriated
Source of Revenue: An 8% allocation of wages earned from inmates convicted of drug offenses.		
Purpose of Fund: To pay for costs related to the transition program office.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Transition Program Drug Treatment (DCA2383/A.R.S. § 31-286)		Appropriated
Source of Revenue: Cost savings resulting from implementation of a transition drug treatment program. A one-time FY 2004 appropriation of \$500,000 from the Drug Treatment and Education Fund.		
Purpose of Fund: To provide transition services to nonviolent drug offenders.		
Funds Expended	0	0
Year-End Fund Balance	0	500,000

* As reported by the agency. Actual ending balance will not be negative.

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