

State Department of Corrections

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DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10,039.4	10,322.4	10,322.4
Personal Services	336,795,800	345,890,800	351,374,000
Employee Related Expenditures	108,801,600	122,596,800	128,289,900
Professional and Outside Services	85,638,300	86,998,600	106,466,500
Travel - In State	363,600	291,500	310,800
Travel - Out of State	189,900	151,900	154,800
Other Operating Expenditures	76,774,600	80,335,900	90,952,900
Food	31,128,100	34,736,000	35,946,400
Equipment	4,271,100	467,000	1,589,600
OPERATING SUBTOTAL	643,963,000	671,468,500	715,084,900

FUND SOURCES

General Fund	604,686,800	629,113,900	671,792,600
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	441,300	449,300	599,300
Corrections Fund	36,971,900	28,674,300	28,674,300
Penitentiary Land Fund	379,600	869,200	869,200
Prison Construction and Operations Fund	0	10,250,000	10,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	208,400	570,000	570,000
State Education Fund for Correctional Education	1,275,000	1,541,800	1,478,100
Transition Office Fund	0	0	351,400
Transition Program Drug Treatment Fund	0	0	500,000
SUBTOTAL - Other Appropriated Funds	39,276,200	42,354,600	43,292,300
SUBTOTAL - Appropriated Funds	643,963,000	671,468,500	715,084,900
Other Non-Appropriated Funds	40,279,800	44,713,500	44,713,500
Federal Funds	8,481,700	50,422,200	43,976,900
TOTAL - ALL SOURCES	692,724,500	766,604,200	803,775,300

CHANGE IN FUNDING SUMMARY

	FY 2005 to FY 2006 JLBC	
	\$ Change	% Change
General Fund	42,678,700	6.8%
Other Appropriated Funds	937,700	2.2%
Total Appropriated Funds	43,616,400	6.5%
Non Appropriated Funds	(6,445,300)	(6.8%)
Total - All Sources	37,171,100	4.8%

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	FY 2004	FY 2005	FY 2006
	Actual	Actual	Estimate	JLBC
• Average yearly cost per inmate (\$)	19,505	20,847	20,100	--
• Escapes from secure facilities	0	5	0	0
• Number of inmates receiving the General Equivalence Degree	791	1,433	1,179	1,512
• Number of inmate random positive urinalysis results	1,037	1,012	1,000	1,000
• % of agency staff turnover	17.5	16.3	14.6	--
• Administration as a % of total cost	4.1	3.9	4.5	--
• Customer satisfaction rating for employee satisfaction (Scale 1-8)	NA	NA	6.5	--

Comments: The agency did not submit information for any measure labeled as “NA.” In FY 2003, the General Equivalence Degree test was suspended for 5 months due to test answers being compromised in another state and has since then returned to normal testing levels. The agency does, however, anticipate an increasing number of General Equivalence Degree recipients due to an increased emphasis on obtaining higher educational standards. The number of inmates testing positive in random urinalysis tests declined slightly in FY 2004.

RECOMMENDED CHANGES FROM FY 2005

Operating Budget

The JLBC recommends \$715,084,900 for the operating budget in FY 2006. This amount consists of:

	FY 2006
General Fund	\$671,792,600
Alcohol Abuse Treatment Fund	599,300
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	1,478,100
Transition Office Fund	351,400
Transition Program Drug Treatment Fund	500,000

These amounts include the following adjustments:

Standard Changes OF (63,700)

The JLBC recommends a decrease of \$(63,700) from the State Education Fund for Correctional Education in FY 2006 for standard changes.

Annualization of FY 2005 Prison Beds

The 46th Legislature convened in Special Session in October 2003 to address prison overcrowding. During that session, the Department of Corrections received supplemental FY 2004 funding to temporarily send inmates to facilities located in Oklahoma and Texas. In addition, the Legislature authorized the department to house inmates at county jails, construct 1,000 permanent state-operated beds and purchase 1,000 permanent privately-operated beds within Arizona.

The enacted FY 2005 budget continued funding for some of the temporary (“provisional”) out-of-state beds, fully

funded the county jail beds, and added partial-year funding to open additional permanent state and private beds during FY 2005. As of December 2004, the department was utilizing 1,606 provisional beds, holding 136 inmates in county beds, and operating 1,000 new Level 1 state beds. The department had not awarded a contract for the 1,000 new permanent private beds and did not anticipate housing inmates in such a facility until FY 2006.

Table 1 shows the current estimate of FY 2005 expenditures and the JLBC FY 2006 recommendation for these temporary and permanent beds.

<u>Issue</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 JLBC</u>
Provisional Prison Beds	\$29,108,200	\$ 20,805,000
County Jail Beds	2,518,500	2,518,500
1,000 State Beds	2,542,700	15,173,100 ^{1/}
1,000 New Private Beds	0	11,692,200 ^{2/}
1,400 Kingman Private Beds	<u>9,831,600</u>	<u>26,720,200</u>
Total Expenditures	\$44,001,000	\$76,909,000
Fund Sources:		
General Fund	\$9,256,500	\$48,609,800
Corrections Fund	2,493,700	2,493,700
Prison Construction and Operations Fund	10,250,000	10,250,000
Federal VOI/TIS Grant	<u>22,000,800</u>	<u>15,555,500</u>
Total Fund Sources	\$44,001,000	\$76,909,000

^{1/} The department was authorized to issue Certificates of Participation (COPs) not to exceed \$37.5 million to build the beds. Included in the expenditures shown is \$3.2 million in COP payments.

^{2/} Not an annualized cost. These new beds are now expected to open in FY 2006 with an estimated annualized cost of \$22,630,000 beginning in FY 2007.

Bed Annualization/Backfill **GF** **39,353,300**

The JLBC recommends an increase of \$39,353,300 from the General Fund in FY 2006 to provide full-year funding for new beds added in FY 2005 and partial-year funding for 1,000 privately-operated beds anticipated to open in FY 2006. Of this amount, \$6,445,300 is to fill in one-time federal Violent Offender Incarceration and Truth-in-Sentencing (VOI/TIS) grant monies used in FY 2005. The additional monies are for the following projects:

Provisional Beds

The JLBC recommends a total funds amount of \$20,805,000 in FY 2006 to provide full-year funding for 1,176 temporary out-of-state beds. As shown in *Table 1*, the cost for provisional beds is anticipated to decline in FY 2006 as the state returns inmates to permanent private beds located in Arizona. (See “1,000 New Private Beds” narrative for more information.)

1,000 State Prison Beds

The JLBC recommends a total funds amount of \$15,173,100 in FY 2006 to provide full-year operating costs for 1,000 state-operated beds. The recommended amount provides funding to annualize state-operated beds authorized by Laws 2003, Chapter 5, 2nd Special Session, including 500 beds at Perryville, 300 beds at Tucson, and 200 beds at Douglas. The beds house Level 1 inmates (minimum-security) and opened in December 2004. The funding includes \$3,193,800 in FY 2006 for the lease-purchase payment required to cover the costs for COPs issued to fund construction of the state prison beds. The total project cost is \$45,002,900, which will be paid over a 15-year period. This amount includes interest totaling \$11,727,900.

1,000 New Private Beds

The JLBC recommends a total funds amount of \$11,692,200 in 2006 to open 1,000 new privately-operated beds authorized by Laws 2003, Chapter 5, 2nd Special Session. The enacted FY 2005 budget assumed that these beds would be operational June 2005. The department, however, has not awarded the contract as of the publication date of this recommendation book. The department has reported that the delay is due to federal environmental requirements tied to utilization of federal VOI/TIS monies on the project. Given the delay, the JLBC recommendation provides funding to contract for the additional beds beginning in December 2005. Once open, the beds will enable the department to reduce the number of inmates housed temporarily in beds outside Arizona. Annualized costs of \$22.6 million begin in FY 2007. (See “Provisional Beds” policy issue for more information.)

1,400 Kingman Private Beds

The JLBC recommends a total funds amount of \$26,720,200 in FY 2006 to fund 1,400 privately-operated prison beds. The Kingman private prison project was funded by the Legislature to open March 2003. Due to delays in finalizing the contract, the facility did not begin accepting inmates until August 2004. To date, the facility

holds 472 Arizona inmates. The department currently anticipates occupying the remaining 928 beds by the end of FY 2005.

Other Issues

The JLBC also recommends the following adjustments:

Population Growth **GF** **3,325,400**

The JLBC recommends an increase of \$3,325,400 from the General Fund in FY 2006 to fund the marginal costs for an estimated average daily population (ADP) increase of 1,380, or 115 net new inmates per month.

Transition Program **OF** **851,400**

The JLBC recommends an increase of \$851,400 in FY 2006 to fund an inmate transition program created by Laws 2003, Chapter 256. This amount consists of \$500,000 in one-time monies from the Transition Program Drug Treatment Fund and \$351,400 from the Transition Office Fund. The Transition Program Drug Treatment Fund receives 8% of wages earned by drug offenders. The Transition Office Fund retains savings from early release of Transition Program participants. Chapter 256 required the department to contract with a private or non-profit entity to provide transitional services to nonviolent drug offenders. Both the Transition Program Drug Treatment Fund, and the Transition Office Fund are appropriated, however, no appropriation from the funds have been made to date. The JLBC recommendation would provide the appropriation authority needed to establish the transition program.

Alcohol Abuse Treatment Program **OF** **150,000**

The JLBC recommends an increase of \$150,000 from the Alcohol Abuse Treatment Fund in FY 2006 to expand the department’s treatment program for inmates serving sentences for driving under the influence (DUI) violations. This amount will allow ADC to expand the Alcohol Abuse and Treatment program to another 150-200 inmates. The program currently provides treatment services to 436 inmates.

Bed Capacity

Table 2 provides a comparison of the projected fiscal year end prison population, the number of beds (expressed as Operational Capacity), the projected bed shortage, and the percent of the bed deficit over operational capacity (% Over Capacity). The projections in the table assume the prison population grows by 115 new inmates per month, which is the average growth rate for the past 4 fiscal years. The operational capacity reflects the bed annualizations recommended by the JLBC. (See “Annualization of FY 2005 Prison Beds” discussion for more information.)

Based on the projected inmate population and bed capacity, the bed shortfall as a % over capacity is consistent with actual shortfalls since the Legislature provided supplemental funding to address prison

overcrowding as part of the 46th Legislature, 2nd Special Session.

JLBC RECOMMENDED FORMAT — Lump Sum by Agency

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	29,386	31,937	(2,551)	8.7
6/05	30,922	33,261	(2,339)	7.6
6/06	31,922	34,641	(2,719)	8.5

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.

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. The statutory allocation of these monies to the Corrections Fund expires at the end of FY 2005. The JLBC recommends a statutory change to extend the distribution for another 5 years through FY 2010. (See *JLBC Recommended Statutory Changes for more information.*) Table 3 lists current and recommended Corrections Fund expenditures.

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 \$1,478,100, 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.

Table 3
CORRECTIONS FUND
Estimated Revenue and Expenditure Projections
(\$ in Thousands)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
	<u>Actual</u>	<u>Estimate</u>	<u>JLBC</u>
Beginning Balance	\$ 19,909.7	\$ 6,283.6	\$ 3,232.5
Revenues	27,145.3	27,959.7	28,798.5
Total Funds Available	\$ 47,055.0	\$ 34,243.3	\$ 32,031.0
<u>Expenditures</u>			
ADOA Staffing	614.8	646.7	603.0
Prior Year Capital Projects			
ADC Lewis Complex ^{1/}	1,165.4	0.0	0.0
ADC Building Renewal	269.2	0.0	0.0
ADC Safety Improvements	941.8	264.7	0.0
ADC Fort Grant Landfill Closure	275.6	43.1	0.0
DJC Building Renewal	147.6	0.0	0.0
Operating Budget			
ADC Administration	1,286.3	1,083.5	1,083.5
ADC Prison Operations	34,667.6	27,590.8	27,590.8
ADC Non-lapsing ^{2/}	1,018.0	1,382.0	0.0
ADC Administrative Adjustment	385.1	0.0	0.0
Total Expenditures	40,771.4	31,010.8	29,277.3
Fund Balance	\$6,283.6	\$ 3,232.5	\$ 2,753.7

^{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 (VOI/TIS).
^{2/} Laws 2003, Chapter 5, 2nd Special Session appropriated \$2.4 million in non-lapsing monies to be used as state match for federal VOI/TIS grant.

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.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends a statutory change to extend the current distribution of revenues from luxury taxes on alcohol and tobacco products to the Corrections Fund to June 30, 2010. The current statutory allocation of these monies expires on June 30, 2005.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Prison Construction and Operations Fund Shortfall

As part of the October 2003 Special Session to address prison overcrowding, the Legislature created a new assessment to be paid by persons convicted of driving under the influence (DUI) offenses. Revenues from this new assessment are deposited in the appropriated Prison Construction and Operations Fund.

In FY 2005, the department received a \$10.3 million appropriation from the fund for costs related to additional prison beds. Through November 2004, however, the new assessment has only generated \$1.1 million. As a result, the department may have a FY 2005 shortfall. The

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magnitude of the shortfall is not known at this time as the Prison Construction and Operation Fund's monthly revenues have increased each month over the prior month. There are alternative funding sources available. As shown in *Table 3*, the Corrections Fund is projected to have a FY 2005 ending balance of approximately \$3.2 million. In addition, a recent state trust land sale has resulted in the department annually receiving an additional \$1.5 million in revenues to its appropriated State Charitable Land Fund.

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 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	441,300	449,300
Year-End Fund Balance	586,500	762,200
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	21,349,400	24,784,600
Year-End Fund Balance	4,044,600	1,059,500
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	36,971,900	28,674,300
Year-End Fund Balance	6,283,600	3,232,500
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	4,128,800	4,349,600
Year-End Fund Balance	25,800	25,000
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	16,300	0
Year-End Fund Balance	1,800	1,800
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	3,137,400	4,011,000
Year-End Fund Balance	3,140,500	1,929,500

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
Federal (DCA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: 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. In FY 2005, the department plans to spend monies from the Violent Offender Incarceration and Truth-in-Sentencing (VOI/TIS) grant to increase bed capacity at correctional facilities.		
Funds Expended	8,481,700	50,422,200
Year-End Fund Balance	65,000	15,655,500
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	14,600	2,736,700
Year-End Fund Balance	2,187,200	0
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	47,000	1,573,400
Year-End Fund Balance	1,647,000	0
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.		
Appropriated Funds Expended	379,600	869,200
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	491,300	74,200
Prison Construction and Operations Fund (DCA2504/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	10,250,000
Year-End Fund Balance *	83,700	(9,566,300)
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 and to pay on-call duty claims. On-call duty payments of \$2 million each will occur in FY 2003, FY 2004, and FY 2006.		
Funds Expended	8,213,300	3,775,000
Year-End Fund Balance	1,784,400	9,600
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	3,357,700	3,483,200
Year-End Fund Balance	527,700	292,500

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
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	208,400	570,000
Non-Appropriated Funds Expended	15,300	0
Year-End Fund Balance	74,300	1,662,000
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	1,275,000	1,541,800
Year-End Fund Balance	561,100	455,900
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	71,400	211,400
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 and 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	500,000	500,000

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

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