

Director: Dora B. Schriro

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	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10,322.4	9,726.9	9,726.9
Correctional Officer Personal Services	--	--	264,007,200
Health Care Personal Services	--	--	43,240,900
All Other Personal Services	--	--	77,016,200
Personal Services Subtotal	346,596,400	345,062,200	384,264,300
Employee Related Expenditures	123,328,600	122,170,200	151,947,400
Health Care All Other Operating Expenditures			
Professional and Outside Services	--	--	42,105,900
Travel - In State	--	--	50,000
Travel - Out of State	--	--	0
Other Operating Expenditures	--	--	19,921,300
Food	--	--	0
Equipment	--	--	710,200
Health Care Operating Subtotal	--	--	62,787,400
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	--	--	0
Travel - In State	--	--	228,400
Travel - Out of State	--	--	134,300
Other Operating Expenditures	--	--	85,683,700
Food	--	--	33,846,800
Equipment	--	--	2,247,400
Non-Health Care Operating Subtotal	--	--	122,140,600
All Other Operating Expenditures			
Professional and Outside Services	69,267,600	43,003,800	--
Travel - In State	417,600	278,400	--
Travel - Out of State	158,300	134,300	--
Other Operating Expenditures	97,455,000	98,637,900	--
Food	30,552,800	33,846,800	--
Equipment	3,099,500	1,957,600	--
All Other Operating Subtotal	200,950,800	177,858,800	--
OPERATING SUBTOTAL	670,875,800	645,091,200	721,139,700^{1/}
SPECIAL LINE ITEMS			
County Jail Beds	0	2,518,500	2,518,500 ^{2/}
Ch. 368 GPS Monitoring	0	0	750,000
Kingman Prison Supplemental	2,000,000	0	0
Overtime/Compensatory Time	7,500,000	40,655,500	19,688,100 ^{2/3/}
Private Prison Per Diem	0	52,718,400	81,846,800 ^{2/4/}
Provisional Beds	0	20,805,000	34,933,400 ^{2/}
AGENCY TOTAL	680,375,800	761,788,600^{5/6/7/}	860,876,500^{8/-18/}
FUND SOURCES			
General Fund	641,706,500	716,578,700	817,157,700
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	444,100	599,300	599,300
Corrections Fund	31,121,800	29,024,300	29,040,400
Penitentiary Land Fund	492,000	869,200	869,200 ^{13/}
Prison Construction and Operations Fund	4,160,800	10,250,000	10,250,000

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
State Charitable, Penal and Reformatory Institutions Land Fund	1,093,700	2,070,000	570,000 ^{14/}
State Education Fund for Correctional Education	1,356,900	1,545,700	1,609,900 ^{15/}
Transition Office Fund	0	351,400	180,000
Transition Program Drug Treatment Fund	0	500,000	600,000
SUBTOTAL - Other Appropriated Funds	38,669,300	45,209,900	43,718,800
SUBTOTAL - Appropriated Funds	680,375,800	761,788,600	860,876,500
Other Non-Appropriated Funds	44,781,400	43,813,500	43,813,500
Federal Funds	29,862,800	30,170,200	14,614,700
TOTAL - ALL SOURCES	755,020,000	835,772,300	919,304,700

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 2006, Chapter 350 appropriation of \$1,000,000.
- 2/ Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for County Jail Beds, Overtime/Compensatory Time, Private Prison Per Diem or Provisional Beds line items shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 3/ The Overtime/Compensatory Time line item includes monies for Personal Services and Employee Related Expenditure costs from overtime and compensatory time payouts accrued by department employees in FY 2007. (General Appropriation Act footnote)
- 4/ The Private Prison Per Diem line item includes \$2,382,600 from the General Fund for a 4.5% increase for private prison contracts for facilities that are located within Arizona and that house Arizona inmates as of July 1, 2006. The department shall provide this increase to all applicable contractors by August 1, 2006. (General Appropriation Act footnote)
- 5/ Laws 2006, Chapter 316 appropriated \$6,427,800 for supplemental funding for Overtime/Compensatory Time and \$3,472,200 for health related expenditures and All Other Operating Expenditures.
- 6/ Laws 2006, Chapter 316 reduces the General Fund contribution for employer health and dental insurance from \$74,205,600 to \$64,205,600.
- 7/ Of the remaining \$10,000,000 from the reduced contribution for health and dental insurance, Laws 2006, Chapter 316 distributes \$5,089,000 for health related All Other Operating Expenditures and \$4,911,000 for non-health related All Other Operating Expenditures.
- 8/ The appropriated amount includes \$25,751,300 for a \$2,943 salary increase beginning July 1, 2006 for each employee in the correctional officer series. (General Appropriation Act footnote)
- 9/ 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 review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 10/ Before placing any additional inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds within facilities that are located in Arizona and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 11/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency with Special Line Items. Personal Services are appropriated in 3 line items for correctional officers, health care personnel and all other personnel. All Other Operating Expenditures are appropriated in 2 line items for health care and non-health care.
- 12/ The Arizona Department of Administration shall charge the Department of Corrections for employer General Fund health and dental insurance based on actual enrollment in FY 2007. (General Appropriation Act footnote)
- 13/ By October 1, 2006, the Department of Corrections shall report to the Joint Legislative Budget Committee on "off-site" vehicles that are owned by the department and that do not remain on department property at the end of the work day. These may include "take-home" vehicles as well as vehicles that are stationed off-site of department property at the end of the work day. The list shall also include those vehicles that are used by department employees and that are taken home or parked at a location other than an employee's residence. The report shall identify all position classifications and their corresponding assignments and locations of all persons who qualify for an off-site vehicle. The report shall indicate the current number of positions and vehicles that are being used as off-site vehicles, the total number of vehicles that the department owns by category and the policy and guidelines relating to off-site vehicles. (General Appropriation Act footnote)
- 14/ A monthly report comparing Department of Corrections expenditures for the month and year-to-date as compared to prior year expenditures shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee by the thirtieth of the following month. The report shall include at least each line item of appropriation and the main components of All Other Operating Expenditures. The report shall include an estimate of potential shortfalls, potential surpluses that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 15/ By July 1, 2006, the Department of Corrections shall transmit to the Joint Legislative Budget Committee the operating per capita cost report for FY 2005. By February 1, 2007, the Department of Corrections shall transmit to the Joint Legislative Budget Committee the operating per capita cost report for FY 2006. (General Appropriation Act footnote)
- 16/ 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)
- 17/ 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 of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 18/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$1,609,900, 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)

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	Approved
• Escapes from secure facilities	0	5	0	0
• Number of inmates receiving the General Equivalence Degree	791	1,433	3,125	3,000
Comments: In FY 2003, the General Equivalence Degree (GED) 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 FY 2005 actual was substantially higher because of efforts to eliminate backlog of GED-eligible inmates. After this backlog is eliminated, the number of GED recipients should level out, reaching 2,500 in FY 2008 and 2,000 in subsequent years.				
• Number of inmate random positive urinalysis results	1,037	980	943	900

Operating Budget

The budget provides \$721,139,700 for the operating budget in FY 2007. This amount consists of:

	FY 2007
General Fund	\$706,095,200
Alcohol Abuse Treatment Fund	599,300
Corrections Fund	366,100
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	1,609,900
Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

These amounts include an increase of \$41,593,100 for statewide adjustments. This amount consists of:

General Fund	41,512,800
Corrections Fund	15,000
State Education Fund for Correctional Education	65,300

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

Beyond the statewide adjustments, the FY 2007 operating budget provides for an increase of \$34,455,400 from FY 2006. This increase includes the following adjustments:

Population Growth

The budget provides an increase of \$2,000,000 from the General Fund in FY 2007 for the marginal costs related to inmate population growth. The estimated average daily population (ADP) is anticipated to increase by 1,200 inmates, or 100 per month.

Replace VOI/TIS Monies

The budget provides an increase of \$15,555,500 from the General Fund in FY 2007 to replace non-recurring federal Violent Offender Incarceration/Truth-in-Sentencing (VOI/TIS) monies.

The department received a total of \$57,923,000 in federal funding during a 5-year period to spend on the construction or expansion of state-owned prison facilities or on privately-operated prison beds. These monies carried a requirement that offenders convicted of a violent crime serve at least 85% of their sentences. VOI/TIS monies were intended to alleviate the burden that such a requirement would impose on the state budget. The grant program was eliminated in FY 2006, and the monies will no longer be available after September 2006.

Equipment

The budget provides an increase of \$1,000,000 in FY 2007 in one-time monies for equipment at prison facilities. This amount consists of:

General Fund	2,500,000
State Charitable Fund	(1,500,000)

The State Government Budget Reconciliation Bill (Laws 2006, Chapter 350) appropriated \$1,000,000 from the General Fund for additional one-time equipment monies, and the budget includes an increase of \$1,500,000 from the General Fund for vans used as pool vehicles for department employees. The funding would replace 33 of 67 existing vehicles and add 17 new vehicles to accommodate the 200 officer waiting list.

The van pool program operates at the Florence, Eyman, Lewis and Winslow prison complexes to alleviate transportation expenses of department employees at these remote facilities. These monies will provide funding so that more employees at these facilities can participate in the program. The department also plans to expand the program to 3 additional facilities in Douglas, Safford and Yuma, as well as at the Correctional Officer Training Academy in Tucson. The program attempts to reduce the number of correctional officer vacancies, a higher proportion of which are at the more remote prison complexes.

The amount also includes a decrease of \$(1,500,000) from the State Charitable, Penal and Reformatory Institutions Land Fund in one-time monies for new radio communication equipment and security cameras. The base

budget also includes the continuation of \$2,000,000 from the General Fund for replacement equipment.

Fuel Costs

The budget provides an increase of \$520,800 from the General Fund in FY 2007 for increased costs of fuel for department vehicles. These vehicles are used to transport inmates from the central intake facility to prison facilities across the state, as well as for transfers between prison facilities. The budget provides \$3,237,800 for fuel expenses in FY 2007. This amount equates to a 19% increase from the 2006 funding level.

Transition Program Reduction

The budget provides a decrease of \$(71,400) in FY 2007 for the continuation of monies that provide transitional services to nonviolent drug offenders. This amount consists of:

Transition Office Fund	(171,400)
Transition Program Drug Treatment Fund	100,000

Created by Laws 2003, Chapter 256, the program requires the department to contract with a private or non-profit entity to provide transitional services. The funds were established to fund the program. The Transition Program Drug Treatment Fund retains bed cost savings from early release of program participants. The program is also funded by the Transition Office Fund, which receives 8% of wages earned by drug offenders.

ERE Shift

The budget continues a shift of \$10,000,000 from the ERE line item to the Non-Healthcare AOOE line item for increased all other operating costs. This shift, which began in FY 2006, results in no net change to the department's overall budget.

This shift is the result of requiring ADOA to charge for employee General Fund health insurance based on actual enrollment. *(See Footnote 9 for more information.)*

In FY 2006, the department was budgeted \$74,205,600 for state employee health insurance. Due to vacancies, the department expended only \$64,205,600. All General Fund health insurance monies are usually transferred to the Health Insurance Trust Fund, which is administered by the Arizona Department of Administration (ADOA). To offset shortfalls in ADC's FY 2006 budget, Laws 2006, Chapter 316 required ADC to pay no more than its actual expenditures of \$64,205,600 for health insurance. ADC was then able to shift the surplus \$10,000,000 in health insurance monies to All Other Operating Expenditures to offset a shortfall. *(ADOA was appropriated \$10,000,000 to compensate the Health Insurance Trust Fund for less revenue.)*

Correctional Officer Pay

The budget provides an increase of \$25,751,300 in FY 2007 for a Correctional Officer pay raise. This amount provides a \$2,943 increase for each correctional officer. *(See Footnote 8 for more information.)*

This amount includes an increase of \$8,751,300 from the General Fund in FY 2007 and a shift of \$17,000,000 from the Overtime/Compensatory Time Special Line Item to the Operating Budget.

In addition to the approved amount, Laws 2006, Chapter 1 provided a pay raise to all state employees. This statewide increase included a lump sum increase of \$1,650 plus a performance-based pay increase of 2.5% of the employee's FY 2006 salary. These increases became effective in March 2006 and increased the pay of an entry-level correctional officer from \$27,364 to \$29,698.

In addition to the statewide salary increase, the approved amount for correctional officers brings the starting salary of an entry-level correctional officer to \$32,641, for a total increase of 19.3%.

The correctional officer pay package was appropriated in response to an increasing employee vacancy rate. Correctional officer vacancies steadily increased from about 11.5% in FY 2005 to more than 22% at the end of FY 2006. Vacancy rates were highest at prison facilities in remote locations, including Florence, Eyman, Lewis, Safford and Winslow facilities.

The department attempted to decelerate the growth in the number of employee vacancies through certain policies and practices, including paying officers cash for overtime worked instead of allowing compensatory time to accrue without payment. The department also changed how shifts were worked at the Lewis and Winslow facilities, switching from 8-hour to 12-hour shifts. *(See Overtime Special Line Item (SLI) for more information.)*

Inmate Health Care Increase

The budget provides an increase of \$10,170,600 from the General Fund in FY 2007 for increased health care costs. This amount includes \$3,742,800 for a 6% inflationary increase and \$6,427,800 for increased health care costs used for overtime in FY 2006. The inflationary increase is similar to the Arizona Health Care Cost Containment System capitation rate increase for health care and applies to direct health care costs associated with contracted services, medications, and other medical supplies.

Transfers to Special Line Items

The budget provides an overall decrease of \$(20,471,400) from the General Fund in FY 2007 for base adjustments and transfers of funding between the operating budget and various special line items. This amount consists of a series of adjustments including FY 2006 transfers and FY 2007 adjustments, some of which reverse FY 2006 transfers.

These transfers and adjustments result in no net change to the department's overall budget.

Special Line Items

County Jail Beds

The budget provides \$2,518,500 from the General Fund in FY 2007 for the newly created County Jail Beds SLI. The original FY 2006 budget included these monies in the operating budget. These monies are shown under the newly created County Jail Beds SLI in FY 2006 as well as in FY 2007 for comparison purposes. This amount is unchanged from FY 2006.

The County Jail Beds SLI provides funding for 92 beds located at county jails in Coconino and Navajo Counties. These beds are county-operated, non-permanent beds used as overflow for state-operated beds.

Chapter 368 GPS Monitoring

Laws 2006, Chapter 368 appropriates \$750,000 from the General Fund in FY 2007 for global position system monitoring of inmates released on parole, community supervision or other release after being convicted of a dangerous crime against children, specifically sex offenses. Chapter 368 allows the department to enter into contracts for the provision of GPS monitoring, which allows authorities to determine the location of the offender at all times.

Chapter 368 also requires such offenders who are sentenced to a term of probation to be monitored by GPS and provides \$750,000 to the Arizona Supreme Court, the agency which supervises probationers.

Kingman Prison Supplemental

The budget provides no funding for the Kingman Prison Supplemental in FY 2007. This amount is unchanged from FY 2006.

Overtime/Compensatory Time

The budget provides \$19,688,100 from the General Fund for Overtime/Compensatory Time in FY 2007. The amount includes a decrease of \$(20,967,400) from the General Fund for a series of certain adjustments. These adjustments include FY 2006 transfers and FY 2007 adjustments, some of which reverse FY 2006 transfers. These transfers and adjustments consist of the following:

FY 2006 Population Growth Savings

The budget first provided an increase of \$3,071,400 from the General Fund in FY 2007 to annualize funding from the operating budget to the line item for overtime and compensatory time expenses accrued by the department. These monies reflect base budget savings in FY 2006 from lower-than-funded inmate population growth. In FY 2006, the department experienced inmate growth of 100 inmates per month, rather than the funded level of 115 per month. These savings are applied to overtime and compensatory

time expenses in FY 2007. This transfer results in no net change to the department's overall budget.

Transfer from Private Prison Per Diem SLI

The budget first provided an increase of \$3,389,000 from the General Fund in FY 2007 to annualize funding from the Private Prison Per Diem SLI to the Overtime/Compensatory Time line item. These monies were part of the FY 2006 appropriation for private beds that the department did not implement. These monies are applied to overtime and compensatory time expenses in FY 2007. This transfer results in no net change to the department's overall budget.

Transfer to Operating Budget

The budget provides a decrease of \$(20,967,400) from the General Fund in FY 2007 to transfer funding from the line item to the operating budget.

This amount includes a decrease of \$(3,967,400) to restore funding from the operating budget used to cover FY 2006 shortfalls in the SLI.

This amount also includes a decrease of \$(17,000,000) transferred to the operating budget for correctional officer salaries. Funds were shifted because the department is expected to pay less overtime following the effort to retain correctional officer staff with higher salaries. (*See Correctional Officer Pay in the Operating Budget section for more information.*)

The Overtime/Compensatory Time SLI includes monies for Personal Services resulting from overtime and compensatory time payouts accrued by department staff. Because of staff shortages at prison facilities, correctional officers are often required to work overtime. With high vacancy rates, officers are unable to utilize all of their leave balance and, as a result, must be monetarily compensated.

These vacancy rates rose in FY 2006, increasing from about 11.5% at the beginning of FY 2005 to more than 22% by the end of FY 2006. Vacancy rates were highest at prison facilities in remote locations – Florence, Eyman, Lewis, Safford and Winslow – where vacancy rates ranged from 25% to more than 30%.

This increase led to a higher-than-usual need for overtime payments as correctional officers were required to work overtime to cover unfilled shifts. The year-end estimated need for overtime expenditures more than doubled from earlier estimates, increasing from the original appropriation of \$18,227,700 to an estimated need of more than \$42 million. To address the increasing vacancy rates and reduce the need for overtime monies, the department in November 2005 instituted a cash-only overtime policy. This policy was intended to give correctional officers a financial incentive to remain at the department. As a result, attrition rates dropped from about 50 officers per month to about 10 officers per month, according to department reports.

In another attempt to reduce the need for overtime monies, the department changed the shift structure at the Lewis and Winslow facilities. Officers there began working 12-hour shifts instead of 8-hour shifts, a move that reduced overtime expenditures at those facilities by about 24%, the department reported.

Private Prison Per Diem

The budget provides \$81,846,800 for Private Prison Per Diem in FY 2007. This amount consists of:

General Fund	53,172,500
Corrections Fund	28,674,300

These amounts include a series of certain adjustments. Where noted, these adjustments include FY 2006 transfers and FY 2007 adjustments, some of which reverse FY 2006 transfers. These adjustments consist of the following:

1,000 Private Beds

The budget provides an increase of \$13,038,000 from the General Fund in FY 2007 to provide partial-year funding for 1,000 previously-authorized, privately-operated beds. The recommended amount provides funding for beds authorized by Laws 2003, 2nd Special Session, Chapter 5.

The contract for these beds was awarded in June 2005. The enacted FY 2006 budget assumed that these beds would be operational in December 2005. These beds are now expected to be operational in December 2006. The annualized cost of these beds is \$22,447,500, which will require an increase of \$9,409,500 in FY 2008.

Per Diem Increase

The budget provides an increase of \$2,382,600 from the General Fund in FY 2007 to provide a 4.5% increase for in-state private prison contracts. *(See Footnote 4 for more information.)*

Newton County Backfill Per Diem Increase

The budget provides an increase of \$4,000,000 from the General Fund in FY 2007 to fund an increased per diem rate of \$55 for the beds that will be used to backfill 446 lost beds from a cancelled contract with an out-of-state privately operated prison in Newton County, Texas.

The additional funding will increase the rate from \$35 per day per bed to the average daily rate of \$55.

Transfers to Other SLIs

The budget first provided a decrease of \$(11,692,200) from the General Fund in FY 2007 to annualize funding from the Private Prison Per Diem SLI to 2 other line items. Of this amount, the budget provided that \$(3,389,000) be transferred to the Overtime/Compensatory Time SLI and that \$(8,303,200) be transferred to the new Provisional Beds SLI.

In FY 2006, the department received \$11,692,200 for 1,000 private beds. Because of delays, however, the department did not open these beds on schedule. The budget reallocates these monies to the Overtime/ Compensatory Time and Provisional Beds SLIs. *(See Overtime/ Compensatory Time and Provisional Beds SLIs for more information.)*

Transfer from Operating Budget

The budget provides an increase of \$9,707,800 transferred from the operating budget to restore monies transferred from the SLI to the operating budget in FY 2006 to cover inmate health cost increases. This transfer results in no net change to the department’s overall budget.

The Private Prison Per Diem line item includes monies for Professional and Outside Services paid to non-provisional private prison contractors for daily expenses associated with housing Arizona inmates. Department administrative expenses related to private prison contracts are not included in this SLI and are included in the department’s operating budget subtotal.

Provisional Beds

The budget provides \$34,933,400 from the General Fund in FY 2007 for the newly created Provisional Beds SLI. The original FY 2006 budget included these monies in the operating budget. Monies are shown under the newly created Provisional Beds SLI in FY 2006 as well as FY 2007 for comparison purposes. The amount funds a series of certain adjustments. Where noted, these adjustments include FY 2006 transfers and FY 2007 adjustments, some of which reverse FY 2006 transfers. These adjustments consist of the following:

Transfer from Private Prison Per Diem SLI

The budget provides an increase of \$8,303,200 from the General Fund in FY 2007 to transfer funding from the Private Prison Per Diem SLI to the new line item. This transfer results in no net change to the department’s overall budget. *(See Private Prison Per Diem and Overtime/Compensatory Time SLIs for more information.)*

The FY 2006 budgeted bed plan included an increase of \$11,692,200 to fund new private beds and a reduction of \$(8,303,200) to eliminate 864 provisional beds, but the department did not implement the bed plan. For FY 2007, the budget transfers \$8,303,200 of the \$11,692,200 from the Private Prison Per Diem SLI to the Provisional Beds SLI to restore funding for the 864 provisional beds. The remaining \$3,389,000 is transferred from the Private Prison Per Diem SLI to the Overtime/Compensatory Time SLI.

Contract Rate Increases

The budget provides an increase of \$5,825,200 from the General Fund in FY 2007 for increases to provisional bed contracts.

The Provisional Beds SLI provides funding for 2,064 provisional beds located in Oklahoma and Texas. These

beds are privately-operated, non-permanent beds used as overflow for state-operated beds.

Other Issues

Bed Capacity

Table 1 provides a comparison of the number of available beds (expressed as Operational Capacity), the projected fiscal year-end prison population, the projected bed shortfall, and the bed deficit as a percentage of operational capacity (% Over Capacity).

<u>Mo/Year</u>	<u>Actual Population</u>	<u>Operational Capacity</u>	<u>Bed Shortfall</u>	<u>% Over Capacity</u>
6/05	32,710	31,792	(918)	2.9
6/06	34,701	31,856	(2,845)	8.9
6/07	35,901	32,856	(3,045)	9.3
6/08	37,101	35,856	(1,245)	3.5

The budget provides \$13,038,000 to open 1,000 privately-operated beds authorized by Laws 2003, Chapter 5, 2nd Special Session. Delays in awarding the contract and in construction of the facility prevented the department from housing inmates at the Florence facility. Originally scheduled to open in March 2005, the prison is expected to begin housing inmates in December 2006. (See *Private Prison Per Diem SLI for more information.*)

The Legislature also appropriated funding to ADOA to expand ADC's bed capacity by 3,000 beds in FY 2008. Laws 2006, Chapter 348 advance appropriates \$11,193,000 from the General Fund in FY 2008 to the Arizona Department of Administration to contract for 3,000 additional prison beds. These beds are scheduled to open beginning in April 2008. These monies are not part of the ADC's overall budget, but the department is permitted to compete as a bidder on the project. ADOA may award contracts to one or more bidders, and the request for proposals (RFPs) must be issued by December 22, 2006. ADOA must give a notice to proceed to a successful bidder or bidders by May 31, 2007 and shall execute the contract or contracts by June 30, 2007.

These inmate projections assume that the population will grow at the rate of 100 inmates per month, or 1,200 per year. At this rate, the bed shortfall is expected to be (3,045), or (9.3)% of operational capacity, at the end of FY 2007. This deficit is expected to continue to increase, reaching up to (12)% over capacity before falling at the end of FY 2008 upon the opening of 3,000 privately-operated beds, when the deficit is expected to be (1,245), or (3.5)%.

The department operates or oversees 4 categories of beds for state inmates. The first type is state beds, which are directly operated by the department and house the majority of inmates at 10 prison complexes throughout Arizona. For the second type, private beds, the department contracts with other entities to provide beds for inmates at 4

privately-operated facilities. A third category, county jail beds, is comprised of beds operated by the Coconino and Navajo county sheriff's offices through contracts with the department. The fourth category is provisional beds, which are privately-operated, temporary out-of-state beds used as overflow for state-operated beds. (See *individual SLIs for more information related to private, county jail and provisional beds.*)

Table 2 shows the number of state, private, provisional and county jail beds that house Arizona inmates. The FY 2006 figures are as of mid-June 2006, and the FY 2007 and FY 2008 bed totals are based on the additional private beds for which the FY 2007 budget provides.

<u>Bed Type</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
State Beds	26,850	26,850	26,850
Private Beds	2,850	3,850	6,850
Provisional Beds	2,064	2,064	2,064
County Beds	<u>92</u>	<u>92</u>	<u>92</u>
Total	31,856	32,856	35,856

Revised Budget Structure

The Criminal Justice Budget Reconciliation Bill (Laws 2006, Chapter 348) applies a revised budget reporting structure upon the department. It expands previous line items into subcomponents, allowing for a more detailed view of expenditures. The changes incorporated in the revised structure include more detail in the Personal Services (salary and wages) and All Other Operating Expenditures (AOOE) line items. The Criminal Justice BRB (Chapter 348) requires that the department report FY 2006 actual expenditures, FY 2007 estimated expenditures and FY 2008 requested expenditure amounts when submitting the FY 2008 budget request.

Currently, all department employees are included in the Personal Services line. In the new reporting structure, there will be separate Personal Services line items to display the wage amounts for 3 employee categories: 1) correctional officers, 2) health care employees and 3) all other employees.

The AOOE line encompasses a wide array of expenditure categories, from health care and computer technology to electricity and postage. Currently, AOOE items are combined and reported as a single line item in the budget, but the new reporting structure restructures AOOE items into 2 categories: Healthcare and Non-Healthcare expenditures.

Early in FY 2006, the department notified the Legislature of significant increases in inmate health care expenses during the past few fiscal years. Upon further analysis, there were higher costs within other areas of the department's budget. To improve the transparency and increase oversight of the department's budget, the General

Appropriation Act included: 1) the new budget structure and 2) the new monthly reporting requirement. The reporting requirement will include monthly expenditure data for each appropriated line in the FY 2007 budget and for the main components of All Other Operating Expenditures. The report also will include estimates of potential shortfalls, surpluses and plans to eliminate any shortfall without a supplemental appropriation.

FY 2006 Transfers and Supplemental

Several funding transfers were made within ADC's budget during FY 2006. These transfers were made to create new SLIs and to address shortfalls within certain areas of the department's budget. A supplemental appropriation was also made to address shortfalls. Last, Laws 2006, Chapter 1 increased the department's appropriation as part of a statewide salary increase. *Table 3* shows the adjustments to the department's budget in FY 2006.

Table 3

	FY 2006 Changes							Final FY 2006
	FY 2006 Estimate	New Provisional Beds SLI	New County Beds SLI	JLBC Transfers	ERE Adjustment	FY 2006 Supplemental	Chapter 1 Pay Raise	
Personal Services	349,318,600			(12,000,000)			7,743,600	345,062,200
ERE	134,830,700			(4,000,000)	(10,000,000)		1,339,500	122,170,200
AOOE	166,310,100	(20,805,500)	(2,518,500)	21,400,000	10,000,000	3,472,200		177,858,300
County Jail Beds	0		2,518,500					2,518,500
Overtime/Comp Time	18,227,700			16,000,000		6,427,800		40,655,500
Private Prison Per Diem	74,118,400			(21,400,000)				52,718,400
Provisional Beds	0	20,805,500						20,805,500
Total	742,805,500	0	0	0	0	9,900,000	9,083,100	761,788,600