

State Department of Corrections

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DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,726.9	9,726.9	9,726.9
Correctional Officer Personal Services	--	264,007,200	264,007,200
Health Care Personal Services	--	43,240,900	43,240,900
All Other Personal Services	--	77,016,200	77,016,200
Personal Services Subtotal	344,749,800	384,264,300	384,264,300
Employee Related Expenditures	120,754,200	151,287,000	145,236,300
Health Care All Other Operating Expenditures			
Professional and Outside Services	--	42,105,900	43,949,000
Travel - In State	--	50,000	50,100
Travel - Out of State	--	0	0
Other Operating Expenditures	--	19,935,100	23,961,100
Food	--	0	0
Equipment	--	710,200	710,200
Health Care Operating Subtotal	--	62,801,200	68,670,400
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	--	750,000	1,097,900
Travel - In State	--	205,000	205,600
Travel - Out of State	--	115,800	120,500
Other Operating Expenditures	--	85,951,500	85,338,000
Food	--	33,846,800	36,502,400
Equipment	--	2,668,100	1,168,100
Non-Health Care Operating Subtotal	--	123,537,200	124,432,500
All Other Operating Expenditures			
Professional and Outside Services	25,158,000	--	--
Travel - In State	405,900	--	--
Travel - Out of State	174,800	--	--
Other Operating Expenditures	109,507,600	--	--
Food	32,442,600	--	--
Equipment	7,287,800	--	--
All Other Operating Subtotal	174,976,700	--	--
OPERATING SUBTOTAL	640,480,700	721,889,700	722,603,500
SPECIAL LINE ITEMS			
County Jail Beds	1,827,200	2,518,500	868,600
Overtime/Compensatory Time	40,605,800	19,688,100	19,688,100
Private Prison Per Diem	48,004,400	81,846,800	78,392,500
Provisional Beds	16,719,300	34,933,400	48,105,500
AGENCY TOTAL	747,637,400	860,876,500	869,658,200
FUND SOURCES			
General Fund	707,715,300	817,157,700	826,446,400
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	193,900	599,300	599,300
Corrections Fund	25,410,900	29,040,400	29,040,800
Penitentiary Land Fund	534,400	869,200	869,200
Prison Construction and Operations Fund	10,230,200	10,250,000	10,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,031,400	570,000	570,000

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC
State Education Fund for Correctional Education	1,384,500	1,609,900	1,102,500
Transition Office Fund	70,200	180,000	180,000
Transition Program Drug Treatment Fund	66,600	600,000	600,000
SUBTOTAL - Other Appropriated Funds	39,922,100	43,718,800	43,211,800
SUBTOTAL - Appropriated Funds	747,637,400	860,876,500	869,658,200
Other Non-Appropriated Funds	43,810,500	46,013,700	47,180,700
Federal Funds	34,171,700	15,015,400	13,173,400
TOTAL - ALL SOURCES	825,619,600	921,905,600	930,012,300

CHANGE IN FUNDING SUMMARY

	FY 2007 to FY 2008 JLBC	
	\$ Change	% Change
General Fund	9,288,700	1.1%
Other Appropriated Funds	(507,000)	(1.2%)
Total Appropriated Funds	8,781,700	(1.0%)
Non Appropriated Funds	(675,000)	(1.1%)
Total - All Sources	8,106,700	(0.8%)

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 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	JLBC
• Escapes from secure facilities Comments: The department reports that 1 inmate escaped from the privately-contracted Florence West facility and 2 escaped from the Fort Grant Unit at the State Prison in Safford. All have since been recaptured and the department has modified security fencing to avoid future escapes.	5	0	3	0
• Number of inmates receiving the General Equivalence Degree 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 and FY 2006 actuals were 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.	1,433	3,125	3,091	2,500
• Number of inmate random positive urinalysis results	980	943	912	900

CHANGES FROM FY 2007

Operating Budget

The JLBC includes \$722,603,500 and 9,726.9 FTE Positions for the operating budget in FY 2008. This amount consists of:

	FY 2008
General Fund	\$708,066,000
Alcohol Abuse Treatment Fund	599,300
Corrections Fund	366,500
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	1,102,500

Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

These amounts would fund the following adjustments:

Standard Changes	GF	(982,000)
	OF	(21,200)

The JLBC includes a decrease of \$(1,003,200) in FY 2008 for standard changes. This amount consists of:

General Fund	(982,000)
Corrections Fund	400
State Education Fund for Correctional Education	(21,600)

Rebase Retirement Rates	GF	(6,654,300)
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The JLBC includes a decrease of \$(6,654,300) in FY 2008 for rebasing the Correctional Officer Retirement Plan

(CORP) retirement rates at actual FY 2007 levels. The actual rates that will be charged to the agency in FY 2007 are lower than were assumed in the FY 2007 budget; this reduction leaves sufficient funds to pay the actual rates. Increases for FY 2008 changes to rates are funded separately as a statewide item and would be distributed to agencies at a later time.

One-Time AZNet Appropriation GF (2,365,100)

The JLBC includes a decrease of \$(2,365,100) from the General Fund in FY 2008 to reflect the one-time appropriation for AZNet telecommunications charges.

FY 2008 Population Growth GF 6,779,600

The JLBC includes an increase of \$6,779,600 from the General Fund in FY 2008 for population growth. Based on a marginal cost of \$3,531 per inmate, per year, the \$6,779,600 would fund an average daily population (ADP) increase of 1,920 inmates, or 160 net new inmates per month. (See the "Bed Capacity" section for additional information.)

Inmate Health Care Increase GF 3,767,200

The JLBC includes an increase of \$3,767,200 from the General Fund in FY 2008 for a 6% inflationary increase for health care operating expenses. This increase is similar to the inflationary increase provided to AHCCCS for the Acute Care Capitation Rate. Funding would apply to direct health care costs associated with contracted services, medications, and other medical supplies. In FY 2007, ADC was also funded for a 6% health care increase.

One-Time Funding for

Equipment GF (2,500,000)

The JLBC includes a decrease of \$(2,500,000) from the General Fund in FY 2008 to reflect one-time monies appropriated to the department for van pool and equipment replacement. Of the \$2,500,000 ADC received in FY 2007, \$1,000,000 was one-time equipment monies, as appropriated by Laws 2006, Chapter 350, and \$1,500,000 replaced 33 of 67 existing van pool vehicles and added 17 new vehicles to accommodate the 200 officer waiting list.

Equipment Funding GF 1,000,000

The JLBC includes an increase of \$1,000,000 from the General Fund in FY 2008 for one-time equipment. The equipment to be replaced includes motor pool, kitchen, laundry, office, facility and personal security equipment.

Transfer Funding from County

Jail Beds SLI GF 1,652,300

The JLBC includes an increase of \$1,652,300 from the General Fund in FY 2008 to transfer funding from the County Jail Beds Special Line Item to the operating budget. A contract with the Coconino County Detention Facility for 88 beds has been canceled. These inmates will instead be housed in state prison beds. (See the County Jail Beds SLI for additional information.)

Leap Year Operating Costs GF 523,100

The JLBC includes an increase of \$523,100 from the General Fund in FY 2008 for one-time costs associated with operating correctional facilities for an additional day during a leap year. The department would receive total leap year funding of \$833,800, including costs associated with Special Line Items. These amounts are based on the average daily cost to operate public beds and the per diem rates associated with operating private, emergency, county, and provisional beds, as appropriated for FY 2007. (See the department's Special Line Items for remaining costs.)

Educational Adjustment OF (485,800)

The JLBC includes a decrease of \$(485,800) from the State Education Fund for Correctional Education in FY 2008 in order to provide educational programming to a reduced student population and for a per pupil base adjustment. The department provides educational services to minors that were adjudicated as adults.

ADC receives funding from the Department of Education (ADE) based on the number of students participating in ADC's K-12 institutional programs. The funding allocation provided to ADC is similar to that of a regular school district since ADC receives that funding on a per pupil basis. In FY 2008, the projection includes funding for 40 fewer students and increases the per pupil base funding by 2%. The ADE monies are undesignated in nature and can be used for any type of institutional purpose. (See the Arizona Department of Education narrative for additional information.)

Special Line Items

County Jail Beds

The JLBC includes \$868,600 from the General Fund for the County Jail Beds SLI in FY 2008. This amount would fund the following adjustments:

Leap Year Operating Costs GF 2,400

The JLBC includes an increase of \$2,400 from the General Fund in FY 2008 for one-time costs associated with operating ADC-contracted county jail beds for an additional day during a leap year. (See the department's Operating Budget and Special Line Items for additional information.)

Transfer Coconino County Beds

Funding to Operating Budget GF (1,652,300)

The JLBC includes a decrease of \$(1,652,300) from the General Fund in FY 2008 to transfer funding to the operating budget due to the cancellation of ADC's contract with the Coconino County Detention Facility for 88 beds. Coconino County canceled the contract to house county inmates in these beds, effective November 2006. These beds were authorized by Laws 2003, 2nd Special Session to address overcrowding in the state prison system. The state originally contracted for 88 Coconino County beds, but the count was reduced to 44 beds in February 2006 to accommodate the county detainee population. The recent

cancellation of the contract further reduces the bed capacity by 44 (see Table 1). The department will use these monies to instead house these inmates in state prison beds. (See the department's Operating Budget section for additional information.)

The County Jail Beds SLI provides funding for 48 beds located at the Navajo County Jail. These beds are county-operated, non-permanent beds used as overflow for state-operated beds. Table 1 shows the number of county jail beds by location for FY 2006, FY 2007 and FY 2008.

County Jail Beds by Location			
Location	FY 2006	FY 2007	FY 2008
Navajo County	48	48	48
Coconino County	44	0	0
Total	92	48	48

(See the "Bed Capacity" section for additional information.)

Overtime/Compensatory Time

The JLBC includes \$19,688,100 from the General Fund for Overtime/Compensatory Time (OT/CT) in FY 2008. This amount is unchanged from FY 2007.

The OT/CT line item includes monies for Personal Services resulting from overtime and compensatory time payouts accrued by department staff. In FY 2006, the department expended \$40,605,800 for OT/CT. Subsequently, the FY 2007 budget shifted monies from OT/CT to increase entry-level Correctional Officer salaries by \$2,943 to \$32,641. The higher pay was intended to reduce vacancies and, thereby, reduce OT/CT costs. Based on the department's Correctional Officer Status Reports, the ADC has experienced a net increase of 88 positions in the first 4 months of FY 2007, as compared to a net decrease of 72 positions in the last 4 months of FY 2006.

Private Prison Per Diem

The JLBC includes \$78,392,500 for the Private Prison Per Diem SLI in FY 2008. This amount consists of:

General Fund	49,718,200
Corrections Fund	28,674,300

These amounts would fund the following adjustments:

Leap Year Operating Costs GF 141,200

The JLBC includes an increase of \$141,200 from the General Fund in FY 2008 for one-time costs associated with operating ADC-contracted private prisons for an additional day during a leap year. (See the department's Operating Budget and Special Line Items for additional information.)

Annualize 1,000 Private Beds GF 9,409,500

The JLBC includes an increase of \$9,409,500 from the General Fund in FY 2008 to annualize 1,000 privately-operated sex offender beds. The total annual cost of these

beds is \$22,447,500. This 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 opened in December 2006.

Transfer Newton Funding to Provisional Beds SLI GF (13,005,000)

The JLBC includes a decrease of \$(13,005,000) from the General Fund in FY 2008 to transfer funding from the Private Prison Per Diem SLI since Newton County replacement beds will be provided on a provisional, or temporary basis. In November 2005, the Newton County, Texas contract for 645 privately-operated beds was canceled by the contractor. Laws 2006, Chapter 344, increased the inmate per diem rate from \$38 to \$55 for these beds in order for ADC to contract with a new vendor. ADC issued an RFP in November 2006 to acquire public or private replacement beds in-state or out-of-state on a provisional basis. If a contract is awarded, the facility or facilities would be occupied immediately. (See the "Provisional Beds" Special Line Item for additional information.)

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. Table 2 shows the number of private prison beds by location for FY 2006, FY 2007 and FY 2008.

Private Prison Beds by Location			
Location	FY 2006	FY 2007	FY 2008
Kingman	1,400	1,400	1,400
Phoenix West	400	400	400
Marana	450	450	450
Florence West	600	600	600
Florence II (Sex-Offenders)	0	1,000	1,000
Emergency Beds (multiple locations)	364	414	414
Total	3,214	4,264	4,264

Provisional Beds

The JLBC includes \$48,105,500 from the General Fund for the Provisional Beds SLI in FY 2008. This amount would fund the following adjustments:

Leap Year Operating Costs GF 167,100

The JLBC includes an increase of \$167,100 from the General Fund in FY 2008 for one-time costs associated with operating ADC provisionally-contracted prison facilities for an additional day during a leap year. (See the department's Operating Budget and Special Line Items for additional information.)

**Transfer Newton Funding
From Private Prison
Per Diem SLI**

GF 13,005,000

The JLBC includes an increase of \$13,005,000 from the General Fund in FY 2008 to transfer funding from the Private Prison Per Diem SLI since the 645 Newton County replacement beds will be provided on a provisional or temporary basis. This transfer results in no net change to the department's overall budget. (See the "Private Prison Per Diem" Special Line Item for additional information.)

The Provisional Beds SLI provides funding for 2,700 provisional beds located in Oklahoma and other locations yet to be determined. These beds are privately-operated, non-permanent beds used as overflow for state-operated beds. Table 3 shows the number of provisional beds by location for FY 2006, FY 2007 and FY 2008.

<u>Location</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Watonga, Oklahoma	1,200	0	0
Reeves County, Texas	864	0	0
New Provisional			
Bed Contract(s)	<u>0</u>	<u>2,700</u>	<u>2,700</u>
Total	2,064	2,700	2,700

(See the "Bed Capacity" section for additional information.)

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FORMAT — Modified Lump Sum by Agency with Special Line Items. Personal Services would be appropriated in 3 line items for Correctional Officers, Health Care Personnel, and All Other Personnel. All Other Operating Expenditures would be appropriated in 2 line items for Health Care and Non-health Care.

FOOTNOTES

Standard Footnotes

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.

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 2008.

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.

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.

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 2008.

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.

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.

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.

Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$1,102,500, the Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee.

Deletion of Prior Year Footnotes

The JLBC deletes the prior year footnote regarding a 4.5% increase, or \$2,382,600, from the General Fund for the Private Prison Per Diem line item. The department has implemented the private prison contractor increases.

The JLBC deletes the prior year footnote that provides \$25,751,300 for a \$2,943 salary increase beginning July 1, 2006 for each employee in the correctional officer series. The salary increases have been implemented by the department.

The JLBC deletes the prior year footnote requiring the Department of Corrections to report to the Joint

Legislative Budget Committee by October 1, 2006 on “off-site” vehicles owned by the department that do not remain on department property at the end of the work day. The department has submitted this report to the JLBC.

The JLBC deletes the footnote requiring the Department of Corrections to submit the FY 2005 operating per capita cost report by July 1, 2006 and requiring the FY 2006 per capita cost report by February 1, 2007. The department did not meet the July 1 deadline for the FY 2005 report and is not anticipated to meet the February 1 deadline for the FY 2006 report.

STATUTORY CHANGES

The JLBC would continue a session law change to require the Department of Corrections to report actual FY 2007, estimated FY 2008, and requested FY 2009 expenditures for Correctional Officer Personal Services, Health Care Personal Services, All Other Personal Services, Employee Related Expenditures, Health Care All Other Operating Expenditures, Non-Health Care All Other Operating Expenditures, and Special Line Items delineated in the FY 2008 General Appropriation Act when the department submits the FY 2009 budget request pursuant to A.R.S. § 35-113.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Bed Capacity

Table 4 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 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	34,864	31,232	(3,632)	11.6
6/07	36,931	32,874	(4,057)	12.3
6/08	38,851	35,874	(2,977)	8.3

The bed deficit is expected to be (4,057), or (12.3)% of bed capacity, by the end of FY 2007. The deficit will be (2,977), or (8.3)% by the end of FY 2008.

These projections reflect the department’s estimate that the prison population will grow by 160 inmates per month, or 1,920 each year. Through November 2006, the average monthly growth was 189 inmates.

Table 5 shows the different types of beds that the department manages, including: State Beds, Private Beds, County Beds, and Provisional Beds. State beds represent beds owned and operated by the department. These beds are located in 10 complexes throughout the state. Private beds represent beds owned and/or operated by private entities with which the department has contracted. The

department currently has contracts with 5 facilities for private in-state beds. County jail beds are located in Navajo County. Provisional beds represent beds used to house inmates on a temporary basis.

<u>Bed Type</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
State Beds	25,862	25,862	25,862
Private Beds	3,214	4,264	4,264
County Beds	92	48	48
Provisional Beds	2,064	2,700	2,700
New Beds ^{1/}	<u>0</u>	<u>0</u>	<u>3,000</u>
Total	31,232	32,874	35,874

^{1/} ADOA may award the contract to either public or private entities, or a combination.

In FY 2007 and FY 2008, the number of actual beds will increase by a total of 4,642 beds. This increase is due to various adjustments within each bed type (State Beds, Private Beds, County Beds and Provisional Beds).

The FY 2007 changes include:

Private Beds (See Table 2)

- 50 additional emergency beds located at Phoenix West – effective FY 2007.
- 1,000 new sex-offender beds located in Florence – effective December 2006.

County Beds (See Table 1)

- (44) remaining Coconino County jail beds canceled by vendor – effective November 2006.

Provisional Beds (See Table 3)

- (864) Reeves County, Texas beds canceled by the vendor – effective January 2007.
- (1,200) Watonga, Oklahoma beds – contract expires June 30, 2007.
- 2,700 provisional beds to replace the 2,064 provisional beds located out-of-state and the 645 Newton County private beds (canceled November 2005) – effective by FY 2008.

The FY 2008 changes include:

New Beds

- The construction and operation of 3,000 previously-authorized contracted beds scheduled to open in April 2008.

Laws 2006, Chapter 348 advance appropriated \$11,193,000 to the Arizona Department of Administration (ADOA) for 3,000 beds to begin opening in April 2008. Since ADC and private vendors are permitted to bid on all or a portion of these beds, the appropriation was made to ADOA as a third party. 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. The fully annualized FY 2009 cost for this project is estimated at \$67,342,500.

This cost was based on an inmate per diem rate of \$61.50, which was the most recently available cost of privately contracting for the Florence 1,000 sex-offender bed facility that opened in December 2006. The actual cost cannot be accurately determined until a winning bidder is chosen. Funding for this item appears in the Department of Administration budget. (See the ADOA narrative for additional information.)

In November 2006, ADC issued a Request for Proposals (RFP) for a total of 5,700 in-state or out-of-state male provisional beds. Of this total, 2,700 are replacement beds for 1) 645 Newton County Texas beds, 2) 864 Reeves County Texas provisional beds, and 3) 1,200 Oklahoma provisional beds. The first 2 contracts would be for immediate occupancy and the third for occupancy on July 1, 2007. The 2,700 provisional beds are represented in Table 3 and Table 5. The department also solicited an additional 3,000 provisional beds, pending approval of requested funding, which is not included in these tables. No funding has been appropriated for these 3,000 provisional beds to date. The department's request is in addition to the 3,000 beds scheduled to open in April 2008.

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 Corrections Fund is scheduled to expire in FY 2010. Table 6 lists current and projected Corrections Fund expenditures.

FY 2007 Shortfall Estimate

Pursuant to a footnote in the FY 2007 General Appropriation Act, the department is required to provide monthly expenditure reports, including estimates of potential shortfalls and surpluses. The department's expenditure report through the end of September estimated a year end shortfall of \$28.5 million, while the October report estimated a shortfall of \$5.2 million and the November report estimated a shortfall of \$8.7 million.

The FY 2007 budget reduced funding for the Overtime/Compensatory Time line item by \$17 million to fund increases in Correctional Officer pay. The increase in pay was intended to reduce vacancies and thereby reduce overtime. The Joint Legislative Budget Committee recently approved a transfer from the Employee Related

Expenditures line item to the Overtime/Compensatory line item as the rate at which the department has been able to hire new officers has not offset the need for overtime. The ultimate overtime funding needs will depend on how quickly the department can hire officers to fill vacancies.

The JLBC Baseline does not address the potential FY 2007 shortfall pending further information and analysis. Additional year-to-date data will be needed to improve the projection of ADC's FY 2007 spending, as is demonstrated by the significant fluctuation in the estimates between September and November. In addition, JLBC Staff's extrapolation of year-to-date spending to the full year does not yet result in a shortfall.

Table 6

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

	FY 2006	FY 2007	FY 2008
	<u>Actual</u>	<u>Updated</u>	<u>Estimate</u>
Beginning Balance	\$ 2,125.2	\$ 4,158.4	\$ 0
Revenues	<u>29,056.5</u>	<u>29,986.3</u>	<u>30,945.9</u>
Total Funds Available	\$31,181.7	\$34,144.7	\$30,945.9
Expenditures			
ADOA Staffing	617.0	717.0	717.0
Prior Year Capital Projects			
ADC Building Renewal	0.0	0.0	0.0
ADC Safety Improvements	0.0	0.0	0.0
ADC Fort Grant Landfill Closure	0.0	43.1	0.0
ADC Yuma Water Treatment	0.0	2,189.0 ^{1/}	0.0
DJC Building Renewal	0.0	0	0.0
Operating Budget			
ADC Administration	0.0	0.0	0.0
ADC Community Corrections	350.0	366.1	366.5
ADC Health Care	0.0	0.0	0.0
ADC Prison Operations	0.0	0.0	0.0
ADC Non-lapsing	0.0	0.0	0.0
Private Prison Per Diem SLI	25,909.7	28,674.3	28,674.3
Spending from Prior Year Appropriations	<u>146.6</u>	<u>2,764.5</u>	<u>0</u>
Total Expenditures	27,023.3	34,754.0	29,757.8
Fund Balance	\$ 4,158.4	\$ (609.3)^{1/}	\$ 1,188.1

^{1/} The FY 2007 Updated represents funding as appropriated. Based on cash flow, of the \$2,189,000 appropriated in FY 2007 for the ADC Yuma Water Treatment project, ADC anticipates spending \$689,000 in FY 2007 and the remaining \$1,500,000 in FY 2008. As a result, the FY 2007 ending balance is not anticipated to be negative. JLBC projects an estimated \$890,800 ending balance in FY 2007 based on projected spending.

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Alcohol Abuse Treatment Fund (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	193,900	599,300
Year-End Fund Balance	1,095,500	1,096,200
Arizona Correctional Industries Revolving Fund (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	27,036,300	30,783,800
Year-End Fund Balance	3,655,100	2,507,300
Corrections Donations Fund (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	43,200	1,300
Year-End Fund Balance	1,300	0
Corrections Fund (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	25,410,900	29,040,400
Year-End Fund Balance	4,158,500	0
Criminal Justice Enhancement Fund (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	4,914,300	5,167,500
Year-End Fund Balance	21,300	17,700
Drug Treatment and Education Revolving Fund (DCA2277/A.R.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 and are released on parole. Beginning in FY 2006, funding provided to ADC for drug treatment will be allocated to the Corrections Revolving Fund. In FY 2007, the Drug Treatment and Education Revolving Fund will only be used by the Judiciary.		
Funds Expended	3,825,100	0
Year-End Fund Balance	0	0
Federal Funds (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.		
Funds Expended	34,171,700	15,015,400
Year-End Fund Balance	127,100	143,400

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Indirect Cost Recovery Fund (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 department-wide administrative and overhead costs.		
Funds Expended	1,024,900	1,024,900
Year-End Fund Balance	84,000	0
Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)		Non-Appropriated
Source of Revenue: Profit resulting from the privatization of inmate stores.		
Purpose of Fund: For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmate or other official needs as required, at the discretion of the Director of the Department of Corrections.		
Funds Expended	0	471,200
Year-End Fund Balance	471,200	0
Interagency Service Agreement Fund (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	555,800	710,000
Year-End Fund Balance	933,600	223,600
Penitentiary Land Fund (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	534,400	869,200
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	1,408,400	1,664,200
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	10,230,200	10,250,000
Year-End Fund Balance	1,241,200	1,241,200
Risk Management Insurance Reimbursement Fund (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 occurred in FY 2003 and FY 2004. The department received a special appropriation to pay all remaining on-call claims in FY 2005.		
Funds Expended	2,917,800	280,000
Year-End Fund Balance	288,200	8,200
Special Services Fund (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	2,770,500	4,400,000
Year-End Fund Balance	3,689,600	39,600

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
State Charitable, Penal and Reformatory Institutions Land Fund (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	2,031,400	570,000
Non-Appropriated Funds Expended	237,000	1,075,000
Year-End Fund Balance	400,700	250,700
State DOC Revolving Fund (DCA2515/A.R.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 and are released on parole. Prior to FY 2007, funding was provided to ADC for drug treatment through the Drug Treatment and Education Revolving Fund. The ADC portion of drug treatment monies will be allocated to the State DOC Revolving Fund and only the Judiciary will use the Drug Treatment and Education Revolving Fund in FY 2007.		
Funds Expended	485,600	2,100,000
Year-End Fund Balance	0	0
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	1,384,500	1,609,900
Year-End Fund Balance	282,100	0
Statewide Employee Recognition Gifts/Donation Fund (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 Fund (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	70,200	180,000
Year-End Fund Balance	372,000	382,000
Transition Program Drug Treatment Fund (DCA2383/A.R.S. § 31-286)		Appropriated
Source of Revenue: Cost savings resulting from implementation of a transition drug treatment program.		
Purpose of Fund: To provide transition services to nonviolent drug offenders.		
Funds Expended	66,600	600,000
Year-End Fund Balance	875,700	675,700