

Interim Director: Charles L. Ryan

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	FY 2008 ACTUAL	FY 2009 ESTIMATE ^{1/}	FY 2010 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,755.9	9,932.5	9,755.9
Correctional Officer Personal Services	299,285,400	289,976,900	253,646,500 ^{2/}
Health Care Personal Services	39,544,800	37,449,400	41,393,000
All Other Personal Services	67,306,400	71,648,100	66,727,000
Personal Services Subtotal	406,136,600	399,074,400	361,766,500
Employee Related Expenditures	169,221,200	163,985,600	174,821,200
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	19,351,500	23,831,400	13,420,100^{3/5/}
Health Care All Other Operating Expenditures			
Professional and Outside Services	19,029,800	21,558,200	26,754,700
Travel - In State	20,900	23,700	23,700
Travel - Out of State	10,200	11,600	11,600
Other Operating Expenditures	56,219,800	64,686,900	42,353,400
Equipment	289,100	327,500	327,500
Health Care Operating Subtotal	75,569,800	86,607,900	69,470,900
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	5,610,700	5,991,600	6,649,800
Travel - In State	126,500	141,900	141,900
Travel - Out of State	100,500	142,400	142,400
Other Operating Expenditures	66,220,800	73,458,800	74,935,500
Food	36,678,100	39,662,200	40,662,200
Equipment	4,941,700	3,334,400	3,334,400
Non-Health Care Operating Subtotal	113,678,300	122,731,300	125,866,200
OPERATING SUBTOTAL	783,957,400	796,230,600	745,344,900
SPECIAL LINE ITEMS			
County Jail Beds	681,700	866,200	866,200 ^{4/5/}
New State Prison Beds	0	2,822,000	16,064,100 ^{5/}
Private Prison Per Diem	64,355,300	82,952,600	93,464,300 ^{5/}
Provisional Beds	69,491,100	98,451,200	103,549,900 ^{5/}
Lump Sum Reduction	0	(3,533,600)	(34,645,900)
AGENCY TOTAL	934,336,500	977,789,000	924,643,500^{5/-14/}
FUND SOURCES			
General Fund	884,274,500	925,624,100	879,927,000
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	555,400	569,300	599,300
Corrections Fund	27,799,100	29,039,200	29,017,600
Penitentiary Land Fund	2,585,400	2,254,900	979,200 ^{11/}
Prison Construction and Operations Fund	17,535,300	15,050,000	12,431,800
State Charitable, Penal and Reformatory Institutions Land Fund	562,000	4,062,500	360,000 ^{12/}
State Education Fund for Correctional Education	457,500	409,000	548,600 ^{13/}
Transition Office Fund	180,000	180,000	180,000
Transition Program Drug Treatment Fund	387,300	600,000	600,000
SUBTOTAL - Other Appropriated Funds	50,062,000	52,164,900	44,716,500
SUBTOTAL - Appropriated Funds	934,336,500	977,789,000	924,643,500
Other Non-Appropriated Funds	46,861,000	44,206,800	43,627,900
Federal Funds	30,477,700	17,896,300	17,896,300 ^{14/}
TOTAL - ALL SOURCES	1,011,675,200	1,039,892,100	986,167,700

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.

PERFORMANCE MEASURES	FY 2006	FY 2007	FY 2008	FY 2010
	Actual	Actual	Actual	Approved
• Escapes from secure facilities	3	2	2	0
• Number of inmates receiving the General Equivalency Diploma (GED)	3,091	3,306	2,956	2,956
• Number of inmate random positive urinalysis results	912	1,416	1,721	1,721

Operating Budget

The budget includes \$745,344,900 and 9,755.9 FTE Positions for the operating budget in FY 2010. These amounts consist of:

	FY 2010
General Fund	\$731,390,800
Alcohol Abuse Treatment Fund	599,300
Corrections Fund	380,500
Prison Construction and Operations Fund	11,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	360,000

State Education Fund for Correctional Education	584,300
Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of \$3,627,200 in FY 2010 for state employee health insurance statewide adjustments. These amounts consist of:

- 1/ Does not reflect 2009 transfers. Please see *Table 4* in the narrative for details.
- 2/ It is the intent of the Legislature that in FY 2010, \$50,000,000 will be disbursed from the State Fiscal Stabilization Fund to the State Department of Corrections for Correctional Officer Personal Services. These monies shall be disbursed in accordance with the provisions of the American Recovery and Reinvestment Act of 2009 (P.L. 111-5). (General Appropriation Act footnote)
- 3/ The Personal Services and Employee Related Expenditures for 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 2010. (General Appropriation Act footnote)
- 4/ It is the intent of the Legislature that the department contract with county jails for the purposes of housing inmates committed to the department if the county agrees to contract at a per diem rate that shall not exceed \$50.00. (General Appropriation Act footnote)
- 5/ Any transfer to or from the amounts appropriated for County Jail Beds, New State Prison Beds, Personal Services and Employee Related Expenditures for 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)
- 6/ Before altering its bed capacity by closing state-operated prison beds, or canceling or not renewing contracts for privately-operated prison beds, the State 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)
- 7/ Before placing any additional inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in 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)
- 8/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency with Special Line Items. As appropriated by Laws 2009, 1st Regular Session, Chapter 12. 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.
- 9/ A monthly report comparing State 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 30th 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)
- 10/ State Department of Corrections personnel in the Correctional Officer Series who receive a geographic stipend shall not retain the geographic stipend associated with that facility when transferring to other department facilities. (General Appropriation Act footnote)
- 11/ One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the State Department of Corrections in compliance the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 12/ 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 the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 13/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$548,600, the State 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)
- 14/ Does not include monies from the American Recovery and Reinvestment Act of 2009 (ARRA).

General Fund 3,623,100
 State Education Fund for Correctional Education 4,100

shifted to the General Fund. Including adjustments in Special Line Items, the total fund shift is \$4,770,400.

Water and Wastewater Projects

The budget includes an increase of \$658,200 from the General Fund in FY 2010 for the annual lease-purchase payment associated with various water and wastewater projects. Laws 2007, Chapter 257 (Capital Outlay Bill) authorized the Arizona Department of Administration (ADOA) to enter into a 15-year \$6,800,000 lease-purchase agreement to fund ADC water and wastewater projects located at the Lewis, Tucson, Winslow/Apache, and Douglas prison complexes.

Juvenile Education

The budget includes an increase of \$156,200 from the State Education Fund for Correctional Education in FY 2010 for juvenile education. A.R.S. § 15-1372 requires ADC to provide educational services to pupils who are under 18 years of age and pupils with disabilities who are age 21 or younger. It also makes those students eligible for K-12 Basic State Aid funding and requires those monies to be deposited into the State Education Fund for Correctional Education.

Inmate Utility Fee

The budget continues a decrease of \$(94,200) from the General Fund in FY 2009 originally approved in the midyear FY 2009 revisions and includes an additional \$(131,800) decrease from the General Fund in FY 2010 to annualize the savings associated with increasing the inmate utility usage fee from \$1.00 to \$2.00 per month for inmates that possess at least one electrical appliance.

AHCCCS Rate Structure

The budget includes a decrease of \$(26,000,000) from the General Fund in FY 2010 for requiring the department to adopt the Arizona Health Care Cost Containment System (AHCCCS) rate structure for contracted health care services that the department, the facility, or a private prison provider contracted by the department cannot provide.

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6), specifies that reimbursements for: 1) health and medical services shall not exceed the capped fee-for-service schedule that is adopted by the AHCCCS, and 2) inpatient and outpatient hospital services shall not exceed the reimbursement methodology adopted by AHCCCS.

State Fiscal Stabilization Fund Shift

The budget includes a decrease of \$(50,000,000) from the General Fund in FY 2010 for a fund shift. The American Recovery and Reinvestment Act (ARRA) provided Arizona with more than \$1,000,000,000, including \$185,000,000 that can be expended for any state expenses. Of the latter amount, it is the intent of the Legislature that \$50,000,000 be used to offset an equivalent General Fund

(Please see the General Provisions section.)

Ongoing Operating Costs

The budget includes an increase of \$11,077,400 from the General Fund in FY 2010 for ongoing operating costs. In previous fiscal years, one-time savings in various line items and Special Line Items (SLIs) have been utilized to offset ongoing shortfalls in other line items and SLIs. One-time savings are no longer anticipated to be available and as a result, *Table 1* identifies the allocation of this increase by line item and SLI.

Table 1	
Ongoing Operating Costs	
<u>Line Item/Special Line Item</u>	<u>Adjustment</u>
Correctional Officer Personal Services	\$13,669,600
Health Care Personal Services	3,943,600
All Other Personal Services	(5,031,100)
Employee Related Expenditures (ERE)	7,162,200
Personal Services and ERE for Overtime/Compensatory Time	(10,411,300)
Health Care Operating	1,220,000
Non-Health Care Operating	524,400
Private Prison Per Diem	<u>618,000</u>
Total	\$11,695,400

Inmate Health Care

The budget includes an increase of \$5,196,500 from the General Fund in FY 2010 for inmate health care costs. This 6% adjustment applies to direct health care costs associated with contracted services, medications, and other medical supplies.

Population Growth

The budget includes an increase of \$4,530,600 from the General Fund in FY 2010 for inmate population growth. The funding is sufficient for a net increase of 1,812 inmates in FY 2010, or 151 net new inmates per month. These monies are allocated between the department's various Health Care and Non-Health Care All Other Operating Expenditure line items and fund costs such as medical care, pharmaceuticals, food, clothing, and other operational costs.

Fund Shift

The budget includes an increase of \$1,079,200 from the General Fund, and a decrease of \$(880,500) from the State Charitable, Penal and Reformatory Institutions Land Fund, and \$(198,700) from the Penitentiary Land Fund in FY 2010. Revenues into the Other-Appropriated Funds are anticipated to fall below the prior year appropriation limit. As a result, the expenditure authority has been

reduction to the Correctional Officer Personal Services line item. A General Appropriation Act footnote indicates Legislative intent.

County Jail Beds

The budget includes \$866,200 from the General Fund in FY 2010 for County Jail Beds. This amount is unchanged from FY 2009.

Background – Monies in this line item provide funding for 48 beds used by ADC at the Navajo County Jail. These beds are county-operated, non-permanent beds used as overflow for state-operated beds. (Please see “Other Issues” for additional information.)

New State Prison Beds

The budget includes \$16,064,100 from the General Fund for New State Prison Beds in FY 2010. This amount funds the following adjustments:

Lease-Purchase Payment

The budget includes an increase of \$16,064,100 from the General Fund in FY 2010 to fund the initial lease-purchase payment associated with the \$200,000,000 lease-purchase financing of the 4,000 state prison beds. The 4,000 state beds are anticipated to be operational in FY 2011 and will include 1,000 female beds in Perryville, 1,000 male beds in Tucson, and 2,000 male beds in Yuma.

Prior Year Start-Up Costs

The budget includes a decrease of \$(2,822,000) and (176.6) FTE Positions from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2010 for prior year start-up costs. In FY 2009, ADC was appropriated these monies to fund anticipated start-up costs for 1,000 of 4,000 new state prison beds that were to become operational in July 2009. The beds, however, are now not anticipated to be operational until FY 2011.

Background – Monies in this line item are intended to be transferred into the department’s operating budget once the 4,000 state beds become fully operational. (Please see “Other Issues” for additional information.)

Private Prison Per Diem

The budget includes \$93,464,300 for Private Prison Per Diem in FY 2010. This amount consists of:

General Fund	64,790,000
Corrections Fund	28,674,300

These amounts fund the following adjustments:

2,000 Private Beds

The budget includes an increase of \$7,959,200 from the General Fund in FY 2010 for the phase-in of 1,250 of 2,000 new private beds. The existing 1,400 private bed correctional facility in Kingman, Arizona will be expanded to 3,400 beds. Construction of the 2,000 additional beds is anticipated to be completed by January 11, 2010, at which time the new beds will begin to be occupied at a rate of 50 additional beds per week. As reflected in Table 2, the per diem rate associated with all 3,400 beds at the facility is \$62.16 upon completion of the 2,000 new beds.

Additional In-State Beds

The budget includes an increase of \$1,934,500 from the General Fund in FY 2010 for 194 additional in-state private beds. ADC has contracts in place with private prison vendors for a total of 4,264 prison beds (which will increase to 6,264 beds when all 2,000 new private beds are completed) located at various locations throughout the state. These providers have made available to ADC, the use of an additional 194 beds at these facilities. These monies fund all 194 additional in-state beds at an average per diem rate of \$27.32.

Baseline Adjustment

The budget includes an increase of \$618,000 from the General Fund in FY 2010 for a baseline adjustment. Including operating baseline adjustments, ADC’s funding increases by a total of \$11,695,400. (Please see the department’s operating budget for additional information.)

Fund Shift

The budget includes an increase of \$1,800,000 from the General Fund, and a corresponding decrease of \$(1,000,000) from the Penitentiary Land Fund and \$(800,000) from the Prison Construction and Operations Fund in FY 2010. Projected revenues into the funds are anticipated to fall below the appropriation. As a result, the expenditure authority has been shifted to the General Fund. Including adjustments in the operating budget and Special Line Items, the total fund shift is \$4,770,400.

Background – Monies in this line item are paid out to private prison contractors for daily expenses associated with housing Arizona inmates. Private prison beds are permanent beds that the department will usually own after a period of 20 years, on average. ADC will own these facilities after a specified amount of time because the per diem rate includes a portion of the cost of purchasing the facility. Department administrative expenses related to private prison contracts are not included in this line item and are included in the department’s operating budget subtotal. (Please see “Other Issues” for additional information.)

Provisional Beds

The budget includes \$103,549,900 for Provisional Beds in FY 2010. This amount consists of:

General Fund	101,388,900
Penitentiary Land Fund	979,200
Prison Construction and Operations Fund	1,181,800

These amounts fund the following adjustments:

Restore One-Time Reduction

The budget includes an increase of \$18,284,800 from the General Fund in FY 2010 for the restoration of a one-time reduction originally approved in the midyear FY 2009 revisions. The FY 2009 reduction was a result of lower than budgeted occupancy of contracted and filled provisional beds.

Provisional Bed Contracts

The budget includes a decrease of \$(13,186,100) from the General Fund in FY 2010 to reflect ADC's actual provisional bed contract costs. In FY 2009, ADC received funding totaling \$43,766,600 for an unspecified number of new/replacement beds. ADC entered into contracts to: 1) increase the number of occupied beds in Hinton, Oklahoma from 1,340 to 1,980 (a 640 bed increase), and 2) filled 752 new provisional beds in Walsenburg, Colorado. Based on the actual contracts ADC entered into, a savings of \$13,186,100 is available in FY 2010. After this adjustment, the department has sufficient funding for all 4,892 provisional beds under contract in FY 2010.

Fund Shift

The budget includes an increase of \$1,895,200 from the General Fund, and a corresponding decrease of \$(1,818,200) from the Prison Construction and Operations Fund and \$(77,000) from the Penitentiary Land Fund and in FY 2010. Projected revenues into the funds are anticipated to fall below the appropriation. As a result, the expenditure authority has been shifted to the General Fund. Including adjustments in the operating budget and Special Line Items, the total fund shift is \$4,770,400.

Background -- Monies in this line item provide funding for provisional beds. Typically, provisional beds are temporarily "rented" on an annual basis with renewals for up to 4 or 5 years. The contracts, however, can usually be canceled at any time with proper notice. Unlike private beds, the per diem rate associated with provisional beds does not include the cost of purchasing the facility after a specified time period. (Please see "Other Issues for Legislative Consideration" for additional information.)

Lump Sum Reduction

The budget includes an agencywide lump sum reduction of \$(3,533,600) for the midyear FY 2009 revisions and \$(34,645,900) for FY 2010. The latter reduction reflects

the adjustment to the originally enacted FY 2009 appropriation.

	<u>FY 2009</u>	<u>FY 2010</u>
Lump Sum Reduction		
General Fund	\$(3,473,000)	\$(34,573,000)
Fund Reduction and Transfers		
Alcohol Abuse Treatment Fund	(30,000)	0
Personnel Expense Reduction		
Corrections Fund	(15,600)	(37,200)
State Education Fund for Correctional Education	(15,000)	(35,700)

FTE Position Reduction

Laws 2009, 3rd Special Session, Chapter 11, Section 17 requires every General Fund supported agency, board, commission, or other state entity to reduce its number of FTE Positions by 5% on or before February 1, 2010. This reduction has not been recorded in the summary table above. The actual impact of this provision is to be determined.

Fund Transfers

The budget includes the following midyear FY 2009 revisions and FY 2010 transfers to the General Fund from the funds listed below:

	<u>FY 2009</u>	<u>FY 2010</u>
Alcohol Abuse Treatment - FRAT	\$(30,000)	\$0
Arizona Correctional Industries Revolving - EBT*	(783,300)	(391,700)
Arizona Correctional Industries Revolving - Salary*	(258,600)	0
Corrections Fund - Salary	(15,600)	(37,200)
Indirect Cost Recovery - FRAT*	(61,200)	(122,400)
Special Services - EBT*	(909,400)	(454,700)
State DOC Revolving - FRAT*	(170,500)	(341,000)
State Education Fund for Correctional Education - Salary	(15,000)	(35,700)
Transition Program Drug Treatment - EBT	0	(119,800)

* These transfers are from non-appropriated funds.

Additional Legislation

Budget Structure

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) requires the department to report FY 2009 actual expenditures, FY 2010 estimated expenditures, and FY 2011 requested expenditure amounts for each line item as delineated in the FY 2010 General Appropriation Act when submitting the

FY 2011 budget request. (Please see footnote 8 for additional information.)

Privatize Health Care Services

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) requires ADC to issue a Request for Information (RFI) by October 1, 2009, and a subsequent Request for Proposal (RFP) for purposes of privatizing correctional health services, including medical and dental services that are provided within state-owned and operated prison facilities. The purpose of the RFI is to invite vendors to provide information related to a project while the RFP is the process where vendors formally bid on a specific project. ADC is required to submit the RFP to the Joint Legislative Budget Committee (JLBC) for review, by January 1, 2010, and award a contract by May 1, 2010.

Concession Agreement

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) requires ADOA, in consultation with ADC, to issue; 1) an RFI by October 1, 2009, to determine the feasibility of a concessions agreement, and 2) a subsequent RFP for a concession agreement allowing a private vendor(s) to operate Arizona State Prison Complex(s). By April 1, 2010, ADOA and ADC shall submit to Joint Committee on Capital Review (JCCR) for review, the RFP for a concession agreement. The concession agreement must: 1) result in an up front payment to the state, 2) exclude ASPC – Yuma from being part of the concession agreement, and 3) require annual efficiency savings to be split 50/50 between the state and private vendor. While any proposed contract(s) shall be submitted to JCCR for review prior to award, ADOA and ADC are not required to award such a contract. If a contract(s) is awarded, it is the intent of the Legislature that the up front payment to the state would generate a total of \$100,000,000.

Sale & Simultaneous Lease-Purchase

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) authorizes ADOA to enter into one or more sale and simultaneous lease-purchase agreements in FY 2010 for existing state-owned facilities, including prison facilities. Any lease-purchase agreements are required to: 1) result in proceeds totaling \$735,419,300 to the General Fund in FY 2010, with not more than \$250,000,000 prior to December 31, 2009, 2) be for a fixed term of up to 20 years, 3) result in an initial lease-purchase payment in FY 2011, and 4) require ADC, other state agencies and boards, including any private contractors, to maintain operations at the facilities in which are sold and simultaneously leased back. The transaction is required to be completed by June 30, 2010 and ADOA will consult with ADC if a transaction involves a state-owned prison facility.

5,000 New Private Beds

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) authorizes ADC to issue an RFP for 5,000 new in-state private prison beds. The RFP is required to: 1) result in the award of one or more contracts, 2) permit a private prison vendor to bid on all or a portion of the beds, 3) allow the beds to be located at new, existing or expanded facilities, 4) specify a contract period not to exceed 20 years, 5) be submitted to the JLBC for review by November 1, 2009, and 6) result in the award of all contracts by June 30, 2010. By the end of each calendar quarter and until the beds have been occupied, ADC must submit a report to the JLBC, on the status of these beds.

Non-Appropriated Funds

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) authorizes ADC to expend any non-appropriated monies in FY 2010 for: 1) unpaid health care costs associated with services rendered in FY 2008, and 2) any start-up and operating costs associated with the 4,000 new state beds located at the Yuma (2,000 beds), Perryville (1,000 beds), and Tucson (1,000 beds) prison complexes.

Transition Office Fund

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) permits the department to continue to use monies in the Transition Office Fund for operating expenses related to the Transition Program. Statutorily, monies in the fund are limited to expenses incurred by the Transition Office.

Criminal Justice Enhancement Fund Monies

The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) requires that the 11.7% of Criminal Justice Enhancement monies for county sheriffs be allocated through the Treasurer's Office rather than the Department of Corrections. The allocation of these monies will continue to be distributed in accordance with the rules adopted by the Arizona Criminal Justice Commission.

Other Issues

Bed Count Data

Table 2 reflects the FY 2009 and FY 2010 bed counts by bed type and facility. In addition, the table indicates, where appropriate, the per diem rate paid by ADC to the providers of the respective beds. ADC's total fiscal year end bed count of approximately 37,896 beds in FY 2010 comprises the following 4 types of prison beds:

- State Beds (27,248): Beds owned and operated by the department. These beds are located in 10 complexes throughout the state.

Table 2
Fiscal Year End Public and Private Prison Bed Count
by Bed Type and Facility

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2010</u> <u>Per Diem</u>
State:			
Douglas	2,270	2,270	-
Eyman	4,210	4,210	-
Florence	3,372	3,372	-
Perryville	3,260	3,260	-
Phoenix	822	822	-
Lewis	4,270	4,270	-
Safford	1,548	1,548	-
Tucson	3,640	3,640	-
Winslow	1,666	1,666	-
Yuma	2,190	2,190	-
Sub-Total	27,248	27,248	
Provisional:			
Watonga, Ok	2,160	2,160	\$59.45
Hinton, Ok	1,980	1,980	54.50
Walsenburg, Co	752	752	64.00
Sub-Total	4,892	4,892	
Private:			
Kingman ^{1/}	1,400	2,650	\$57.15-\$62.16
Phoenix West	400	400	49.28
Marana	450	450	49.03
Florence West	600	600	52.19
Florence II	1,000	1,000	67.34
Emergency Beds	414	608	14.86-33.76
Sub-Total	4,264	5,708	
County Jails: ^{2/}			
Navajo	48	48	\$49.44
Total	36,452	37,896	

1/ Reflects 1,250 (of the 2,000) new private beds to be added in FY 2010. The per diem rate associated with the existing 1,400 beds will increase from \$57.15 to \$62.16 upon the initial occupancy of the new private beds.

2/ A General Appropriation Act footnote permits ADC to contract with county jails for the purposes of housing inmates committed to the department if the county agrees to contract at a per diem rate that shall not exceed \$50.00 in FY 2010. No additional beds are reflected in the table as a result of this footnote at this time as ADC has not contracted for any additional beds.

- Provisional Beds (4,892): Temporary “rented” beds from a public or private vendor historically located out of state. Currently, these beds are located in Oklahoma and Colorado.
- Private Beds (5,708): In-state, “lease-to-own” beds operated by private entities with whom the department has contracted. Typically, the department will own private beds after a contract period of 20 years as the per diem rate includes a portion of the cost to purchase the facility. In FY 2010, an additional 1,250 (of 2,000) previously authorized private beds, and 194 other beds, are funded.
- County Beds (48): Jail beds “rented” from Navajo County. A General Appropriation Act footnote permits ADC to contract with counties for additional county jail beds at a per diem rate that does not exceed \$50.00.

New Private and Public Beds

Laws 2007, Chapter 261 (FY 2008 Criminal Justice Budget Reconciliation Bill) authorized ADOA to contract

for 2,000 new private prison beds, and construct 4,000 new public prison beds. Construction of the private and public beds is anticipated to be completed in December 2009 and January 2010, respectively. In FY 2010, 1,250 of the 2,000 private prison beds will be phased-in with the remaining bed being occupied in FY 2011. In addition to the 2,000 private beds authorized in Chapter 261, Laws 2009, 3rd Special Session, Chapter 6, authorizes ADC to issue an RFP for 5,000 new in-state private prison beds. These 5,000 beds, however, are not anticipated to become operational until some time after FY 2010.

Relative to the 4,000 public beds authorized in Chapter 261, ADC received \$16,068,100 in FY 2010 to fund the lease-purchase payment associated with the construction of these beds and no funding for the start-up or operating costs associated with the beds. Laws 2009, 3rd Special Session, Chapter 6 (the FY 2010 Criminal Justice Budget Reconciliation Bill), however, authorized ADC to utilize any non-appropriated monies for start-up and operating costs associated with the beds in FY 2010.

Population Growth

The population data reflected in *Table 3* indicates the department’s actual prison population of 41,412 inmates through FY 2009, and the ADC projected ending population of 43,224 in FY 2010. The FY 2010 projected population reflects the ADC funded population growth of an additional 151 inmates per month, or 1,812 inmates per year. In FY 2009, ADC was also funded for population growth of 151 inmates per month, the actual average monthly growth in population, however, was 126 inmates. Population growth is volatile, where in FY 2009, it ranged from a decrease of (24) inmates in December 2008, to an increase of 266 inmates in January 2009. Should actual population growth remain below the funded increase of 151 inmates per month, as was the case in FY 2009, the projected FY 2010 bed shortfall reflected in *Table 3* would decrease.

Bed Shortfall

Table 3 provides a comparison of the projected prison population, the number of anticipated beds (expressed as Capacity), the projected bed shortfall, and the bed shortfall as a percentage of operational capacity (% Over Capacity) since FY 2006.

<u>Mo./Year</u>	<u>Population</u>	<u>Capacity</u>	<u>Bed Shortfall</u>	<u>% Over Capacity</u>
6/06	34,864	31,232	(3,632)	11.6%
6/07	37,088	34,260	(2,828)	8.3%
6/08	38,897	36,320	(2,577)	7.1%
6/09	41,412	36,452	(4,960)	13.6%
6/10	43,224	37,896	(5,328)	14.1%

At the end of FY 2009, the actual bed deficit was estimated to be (4,960), or (13.6)% of bed capacity. At the

end of FY 2010, the actual deficit is anticipated to increase to (5,328), or (14.1)% of bed capacity. As noted in *Table 2*, however, these figures do not account for any additional county or state beds that may be added in FY 2010.

FY 2009 Transfers and Supplemental

Several funding transfers were made within ADC's budget in June 2009. These transfers were made to address shortfalls and surpluses within certain line items and SLI's of the department's budget. *Table 4* identifies these transfers within the department's budget in FY 2009. These transfers, however, have not been incorporated into the table at the beginning of this narrative.

Table 4				
FY 2009 Transfers between Line Items				
	<u>Appropriation</u> ^{1/}	<u>JLBC Transfers</u>	<u>Other Transfers</u> ^{2/}	<u>Revised Appropriation</u>
Correctional Officer Personal Services	\$289,976,900	\$9,734,000	\$(100,000)	\$299,610,900
Health Care Personal Services	37,449,400	2,000,600	(100,000)	39,350,000
All Other Personal Services	71,648,100	(5,154,600)	(250,000)	66,243,500
Employee Related Expenditures (ERE)	163,985,600	11,731,100	(250,000)	175,466,700
Personal Services and ERE for OT/CT	23,831,400	(13,752,700)	(220,000)	9,858,700
Health Care OOE	86,607,900	1,500,000	250,000	88,357,900
Non-Health Care OOE	122,731,300	3,100,800	250,000	126,082,100
County Jail Beds SLI	866,200	(59,600)	0	806,600
New State Prison Beds	2,822,000	0	0	2,822,000
Private Prison Per Diem SLI	82,952,600	330,600	250,000	83,533,200
Provisional Beds SLI	98,451,200	(9,430,200)	170,000	89,191,000
Lump Sum Reduction SLI	<u>(3,533,600)</u>	<u>0</u>	<u>0</u>	<u>(3,533,600)</u>
Total	\$977,789,000	\$ 0	\$ 0	\$977,789,000

^{1/} These amounts reflect a reduction of \$(21,912,500) as specified in Laws 2009, 1st Special Session, Chapter 1.

^{2/} In addition to the JLBC transfers, the Committee approved and provided a favorable review for an additional transfer of up to \$250,000 in or out of any line item or SLI in the event the ADC requested transfers did not reflect the department's actual expenditures.