

State Department of Corrections

JLBC: Martin Lorenzo

OSPB: Bill Greeney

DESCRIPTION	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,755.9	9,932.5	10,538.2
Correctional Officer Personal Services	299,285,400	289,976,900	303,646,500
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	411,766,500
Employee Related Expenditures	169,221,200	163,985,600	171,194,000
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	19,351,500	23,831,400	13,420,100
Health Care All Other Operating Expenditures			
Professional and Outside Services	19,029,800	21,558,200	27,974,700
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	67,133,400
Equipment	289,100	327,500	327,500
Health Care Operating Subtotal	75,569,800	86,607,900	95,470,900
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	73,553,000	74,459,100
Food	36,678,100	39,662,200	41,364,600
Equipment	4,941,700	3,334,400	3,334,400
Non-Health Care Operating Subtotal	113,678,300	122,825,500	126,092,200
OPERATING SUBTOTAL	783,957,400	796,324,800	817,943,700
SPECIAL LINE ITEMS			
County Jail Beds	681,700	866,200	866,200
New State Prison Beds	0	2,822,000	56,589,200
Private Prison Per Diem	80,206,300	82,952,600	93,464,300
Provisional Beds	69,491,100	116,735,900	70,266,100
AGENCY TOTAL	934,336,500	999,701,500	1,039,129,500
FUND SOURCES			
General Fund	884,274,500	947,476,000	989,569,800
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	555,400	599,300	599,300
Corrections Fund	27,799,100	29,054,800	29,054,800
Penitentiary Land Fund	2,585,400	2,254,900	2,254,900
Prison Construction and Operations Fund	17,535,300	15,050,000	15,050,000
State Charitable, Penal and Reformatory Institutions Land Fund	562,000	4,062,500	1,240,500
State Education Fund for Correctional Education	457,500	424,000	580,200
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	52,225,500	49,559,700
SUBTOTAL - Appropriated Funds	934,336,500	999,701,500	1,039,129,500
Other Non-Appropriated Funds	46,861,000	44,689,900	44,689,900
Federal Funds	30,477,700	17,896,300	17,896,300
TOTAL - ALL SOURCES	1,011,675,200	1,062,287,700	1,101,715,700

CHANGE IN FUNDING SUMMARY

	FY 2009 to FY 2010 JLBC	
	\$ Change	% Change
General Fund	42,093,800	4.4%
Other Appropriated Funds	(2,665,800)	(5.1%)
Total Appropriated Funds	39,428,000	3.9%
Non-Appropriated Funds	0	0.0%
Total - All Sources	39,428,000	3.9%

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	JLBC
• 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 JLBC includes \$817,943,700 and 9,755.9 FTE Positions for the operating budget in FY 2010. These amounts consist of:

General Fund	\$802,914,500
Alcohol Abuse Treatment Fund	599,300
Corrections Fund	380,500
Penitentiary Land Fund	198,700
Prison Construction and Operations Fund	11,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,240,500
State Education Fund for Correctional Education	580,200
Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

The FY 2010 adjustments would be as follows:

Baseline Adjustment GF 11,077,400

This adjustment would increase operating funding by \$11,077,400 from the General Fund in FY 2010. In previous fiscal years, the Joint Legislative Budget Committee, pursuant to a General Appropriation Act footnote and Arizona Revised Statutes, has approved the transfer of one-time savings in various line items and Special Line Items (SLIs) to offset shortfalls in other line items and SLIs. The majority of these shortfalls are attributed to previous Correctional Officer (CO) salary adjustments that resulted in reduced CO vacancies (from 22% in FY 2006 to 4% in FY 2008). The additional CO positions also reduced overtime expenditures from \$40,605,800 in FY 2006 to \$19,351,500 in FY 2008.

These baseline adjustments, which are reflected in *Table 1*, would align ADC's budget with projected FY 2009

expenditures. The FY 2009 Estimate column on the previous page, however, reflects the original spending plan and does not incorporate these adjustments. Any adjustments to the amounts reflected in the FY 2009 Estimate column would require review by the Joint Legislative Budget Committee, which has not yet been requested. Including SLIs, this baseline adjustment would increase funding by a total of \$11,695,400.

Table 1

Baseline Adjustment	
Line Item/Special Line Item	Adjustment
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	618,000
Total	\$11,695,400

Inmate Health Care GF 5,196,500

This adjustment would increase inmate health care funding by \$5,196,500 (or 6%) from the General Fund in FY 2010. This 6% adjustment applies to direct health care costs associated with contracted services, medications, and other medical supplies.

Population Growth GF 4,530,600

This adjustment would increase population growth funding by \$4,530,600 from the General Fund in FY 2010. The \$4,530,600 provides funding for a population 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. Typically, these monies fund costs such as medical care, pharmaceuticals, food, clothing, and other operational costs.

Water and Wastewater Projects GF 658,200

This adjustment would increase debt service funding by \$658,200 from the General Fund in FY 2010. 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 various ADC water and wastewater projects. The payment is estimated to be \$658,200 in FY 2010. The ADC prison water projects are located at the Lewis, Tucson, Winslow/Apache, and Douglas prison complexes.

Juvenile Education OF 156,200

This adjustment would increase juvenile education funding by \$156,200 from the State Education Fund for Correctional Education in FY 2010. 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. As of October 15, 2008, the Arizona Department of Education (ADE) estimates the costs of ADC students to be \$580,200 in FY 2009 based on current student count data. This adjustment carries ADE's FY 2009 estimate into FY 2010.

County Jail Beds

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

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 Legislative Consideration" for additional information.)

New State Prison Beds

The JLBC includes \$56,589,200 and 782.3 FTE Positions from the General Fund for New State Prison Beds in FY 2010.

The FY 2010 adjustments would be as follows:

4,000 State Beds GF 56,589,200

This adjustment would increase new state prison bed funding by \$56,589,200 and 782.3 FTE Positions from the General Fund in FY 2010. Laws 2007, Chapter 261 (Criminal Justice Budget Reconciliation Bill) authorized ADOA to contract for the construction of no more than 4,000 public prison beds and 2,000 private prison beds that will become operational on the same timeline. Further, Chapter 261 authorized 20-year, \$200,000,000, lease-purchase financing for the construction of the 4,000 state beds. The 4,000 state beds are to be constructed as follows: 1,000 female beds in Perryville, 1,000 male beds in Tucson, and 2,000 male beds in Yuma.

The \$56,589,200 would be allocated amongst various line items (identified in Table 2), and is comprised of the following:

- \$14,285,500 for one-time start-up costs (equipment and other operating expenditures) associated with all 4,000 state prison beds.
- \$16,064,100 to fund the initial lease-purchase payment associated with the financing of the 4,000 state prison beds.
- \$26,239,600 in ongoing operating costs associated with the phase-in of 400 new beds per week starting February 2010.

In total, the annual cost to operate all 4,000 state beds (excluding the annual lease-purchase payment) is anticipated to be \$64,948,100. Including the annual lease-purchase payment, the annual cost is \$81,012,200. These estimates, however, do not include indirect costs. Assuming the one-time monies reflected above are continued to fund future ongoing operating costs, an additional \$24,423,000 would be required in FY 2011.

Table 2

New State Prison Beds SLI Allocation

	<u>Start-up</u>	<u>Lease-Purchase</u>	<u>On-going</u> ^{1/}	<u>Total</u>
Correctional Officer Personal Services	\$ 0	\$ 0	\$13,466,900	\$13,466,900
Health Care Personal Services	0	0	1,046,700	1,046,700
All Other Personal Services	0	0	2,288,200	2,288,200
Employee Related Expenditures (ERE)	0	0	6,630,100	6,630,100
Personal Services and ERE for Overtime/Compensatory Time	0	0	581,100	581,100
Health Care All Other Operating Expenditures	619,300	0	716,200	1,335,500
Non-Health Care All Other Operating Expenditures	<u>13,666,200</u>	<u>16,064,100</u>	<u>1,510,400</u>	<u>31,240,700</u>
Total	\$14,285,500	\$16,064,100	\$26,239,600	\$56,589,200

^{1/} Total ongoing operating cost (excluding lease-purchase payment) is estimated to be \$64,948,100. Including the annual lease-purchase payment (which may vary slightly from year to year), the annual cost is \$81,012,200.

Prior Year Start-Up Costs OF (2,822,000)

This adjustment would decrease prior year new public prison bed funding by \$(2,822,000) and (176.6) FTE Positions from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2010. 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 February 2010.

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

Private Prison Per Diem

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

General Fund	62,990,000
Corrections Fund	28,674,300
Penitentiary Land Fund	1,000,000
Prison Construction and Operations Fund	800,000

The FY 2010 adjustments would be as follows:

2,000 Private Beds GF 7,959,200

This adjustment would increase new private prison bed funding by \$7,959,200 from the General Fund in FY 2010. Laws 2006, Chapter 261 (Criminal Justice Budget Reconciliation Bill) authorizes ADOA to contract for the construction of 2,000 private prison beds and 4,000 public prison beds to become operational on the same timeline. To implement this provision, the existing 1,400 private bed correctional facility in Kingman, Arizona will be expanded to 3,400 beds. The construction of the 2,000 additional beds is anticipated to be completed by January 11, 2010, at which time the beds will begin to be occupied at a rate of 50 additional beds per week. The \$7,959,200 is comprised of the following:

- \$1,199,300 to fund the FY 2010 cost associated with a per diem increase of \$5.01 for the existing 1,400 beds occupied at the facility. Based on the terms of the new 3,400 bed contract, the per diem rate associated with the existing 1,400 beds will increase from a current rate of \$57.15 to a new rate of \$62.16, upon the initial occupancy of any of the new 2,000 beds.
- \$6,759,900 for the anticipated cost associated with occupying an additional 50 beds per week starting January 11, 2010. At this rate, 1,250 (of the 2,000) beds would be filled in FY 2010. The per diem rate associated with these beds is \$62.16.

Based on the assumptions above, an additional \$37,506,800 would be required in FY 2011 to fund: 1) the annualized cost of the increased per diem rate for the

existing 1,400 beds (\$1,360,700), and 2) the anticipated cost of the 2,000 new private beds (\$36,146,000).

Additional In-State Beds GF 1,934,500

This adjustment would increase in-state private bed funding by \$1,934,500 from the General Fund in FY 2010. ADC has contracts in place with private prison vendors for a total of 4,264 prison beds (which would 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. Including these new beds, the number of private beds under contract would be 6,458 beds. These monies would fund all 194 additional in-state beds at an average per diem rate of \$27.32.

Baseline Adjustment GF 618,000

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

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 Legislative Consideration” for additional information.)

Provisional Beds

The JLBC includes \$70,266,100 for Provisional Beds in FY 2010. This amount consists of:

General Fund	66,209,900
Penitentiary Land Fund	1,056,200
Prison Construction and Operations Fund	3,000,000

The FY 2010 adjustments would be as follows:

New/Replacement Beds GF (13,186,100)

This adjustment would decrease prior year new/replacement provisional bed funding by \$(13,186,100) from the General Fund in FY 2010. Of the monies appropriated in the FY 2009 General Appropriation Act for provisional beds, \$43,766,600 was for an unspecified number of new/replacement provisional beds. To date, however, ADC has entered into an agreement to increase the number of rented beds in Hinton, Oklahoma from 1,340 to 1,980 (a 640 bed increase). In December 2008, these 640 additional beds have been

occupied. In addition, the department plans to contract for an additional 752 provisional beds at a per diem rate of \$63 in January 2009. Through early December, however, no such contract had been entered into. After accounting for the 640 and 752 additional beds, there is a savings of \$13,686,100 available in FY 2010.

Phase-Out All Provisional Beds GF (33,283,700)

This adjustment would decrease provisional bed funding by \$(33,283,700) from the General Fund in FY 2010. As previously indicated, Laws 2006, Chapter 261 authorized ADOA to contract for the construction of 2,000 private prison beds and 4,000 public prison beds to become operational on the same timeline. In FY 2010, 5,250 of the 6,000 public and private beds are anticipated to be operational. As a result, the number of provisional beds would be reduced accordingly in FY 2010. This level of savings assumes; 1) an average per diem rate of \$57.99, and 2) phasing-out all 4,892 provisional beds at a rate similar to the planned public and private beds being phased-in. Under these assumptions, these provisional beds would be phased-out between January and May 2010. Because the contracts for provisional beds differ by location, number of beds, and per diem rate, the actual level of savings associated with policy issue may be different. Assuming no additional provisional beds were contracted for in FY 2011, an additional decrease of \$(70,266,100) would be available.

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.)

* * *

FORMAT — 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.

FOOTNOTES

Standard Footnotes

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.

Notwithstanding A.R.S. § 35-173C, 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. Before altering its bed capacity by closing state-operated prison beds, 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.

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.

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.

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.

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.

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 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 \$580,200, the State 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 would delete the prior year footnote requiring ADC and the Department of Public Safety to report jointly

to the Joint Legislative Budget Committee by December 1, 2008 on their collaborative efforts and procedures to combat gang activity.

STATUTORY CHANGES

The JLBC would:

- As session law, continue to require ADC to report actual FY 2009, estimated FY 2010, and requested FY 2011 expenditures for Correctional Officer Personal Services, Health Care Personal Services, All Other Personal Services, Employee Related Expenditures, Personal Services and Employee Related Expenditures for Overtime/Compensatory Time, Health Care All Other Operating Expenditures, Non-Health Care All Other Operating Expenditures, and Special Line Items delineated in the FY 2010 General Appropriation Act when the department submits the FY 2011 budget request pursuant to A.R.S. § 35-113.
- As permanent law, amend A.R.S. § 41-1609.01 to allow a contract to provide correctional services, including any subsequent renewals, to be for any time period. Currently, statute limits a contract to an initial period of 10 years, with the option of 2 subsequent renewals of periods not more than 5 years each.
- As session law, continue to permit ADC to use monies appropriated from the Transition Office Fund for any operating expenses related to the Transition Program.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Bed Count Data

Table 3 reflects the FY 2009 and FY 2010 bed counts by bed type and facility. In addition, the table indicates, where appropriate, the anticipated per diem rate paid by ADC to the providers of the respective beds. ADC's total fiscal year end bed count of approximately 37,004 beds in FY 2010 comprises the following 4 types of prison beds:

- State Beds (31,248): Beds owned and operated by the department. These beds are located in 10 complexes throughout the state and include an additional 4,000 state beds added during the fiscal year.
- Provisional Beds (0): Temporary "rented" beds from a public or private vendor. ADC is anticipated to begin FY 2010 with 4,892 provisional beds, which would be phased-out at a rate similar to the planned public and private beds being phased-in (between January and May 2010).
- 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 include a portion of the cost to purchase the facility. In FY 2010, an additional 1,250 (of 2,000) private beds, and 194 other beds would be added and funded.
- County Beds (48): Jail beds "rented" from Navajo County.

Table 3

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 Per Diem</u>
State:			
Douglas	2,270	2,270	-
Eyman	4,210	4,210	-
Florence	3,372	3,372	-
Perryville	3,260	4,260	-
Phoenix	822	822	-
Lewis	4,270	4,270	-
Safford	1,548	1,548	-
Tucson	3,640	4,640	-
Winslow	1,666	1,666	-
Yuma	<u>2,190</u>	<u>4,190</u>	-
Sub-Total	27,248	31,248	-
Provisional:			
Watonga, Oklahoma	2,160	2,160	\$59.45
Hinton, Oklahoma	1,980	1,980	54.50
New Beds ^{1/}	752	752	63.00
Eliminated Beds ^{2/}	<u>0</u>	<u>(4,892)</u>	
Sub-Total	4,892	0	
Private:			
Kingman ^{3/}	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	<u>414</u>	<u>608</u>	14.86-33.76
Sub-Total	4,264	5,708	
County Jails:			
Navajo	<u>48</u>	<u>48</u>	\$49.44
Total	36,452	37,004	-

1/ The department anticipates adding beds in FY 2009 that would be continued into FY 2010.

2/ The baseline would fund all 4,892 provisional beds for a portion of the fiscal year. The 4,892 beds would be phased-out (between January and May 2010) at the same rate the 4,000 public and 1,250 private beds are to be phased-in.

3/ 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.

Population Growth

The population data reflected in Table 4 (on the following page) indicates the department's actual prison population of 38,897 inmates at the end of FY 2008, and projected FY 2009 and FY 2010 ending populations of 40,381 and 42,193, respectfully. The FY 2009 and FY 2010 projected population reflects the ADC actual population through December 2008 plus population growth of 151 inmates per month (equal to the actual FY 2008 monthly inmate growth) through the end of the FY 2010. The projected growth of 151 inmates, however, is significantly above ADC's FY 2009 year-to-date growth of 96 inmates per month. Population growth, however, remains volatile and has ranged from a month-over-month decrease of (24) inmates in December, to a month-over-month increase of 244 inmates in October.

Bed Shortfall

Also reflected in Table 4 (on the following page) is 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).

At the end of FY 2008, the actual bed deficit was estimated to be (4,261), or (12.3)% of bed capacity. At the end of FY 2009, the actual deficit is anticipated to decrease to (3,929), or (10.8)% of bed capacity. Including the bed and population adjustments previously identified in this narrative, the bed shortfall would increase to (5,189), or (14.0)% of bed capacity by the end of FY 2010.

<u>Mo./Year</u>	<u>Population</u>	<u>Capacity</u>	<u>Bed Shortfall</u>	<u>% Over Capacity</u>
6/08 ^{1/}	38,897	34,636	(4,261)	12.3%
6/09	40,381	36,452	(3,929)	10.8%
6/10	42,193	37,004	(5,189)	14.0%

^{1/} FY 2008 Capacity and Bed Shortfall reflects actual shortfall. The appropriated capacity and bed shortfall, prior to any subsequent adjustments, was 36,320 and (2,577), respectively. ADC, however, did not fully utilize their appropriation for beds.

Corrections Fund

The Corrections Fund is for the construction, major maintenance, and purchase or lease of correctional facilities or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. Revenues deposited to the

fund are primarily from luxury taxes on alcohol and tobacco products. Under current law, the revenue source to the Corrections Fund will expire June 30, 2010 (the end of FY 2010). Table 5 lists current and projected Corrections Fund revenues and expenditures.

	<u>FY 2008</u>	<u>FY 2009^{1/}</u>	<u>FY 2010</u>
Beginning Balance	\$ 2,602.3	\$ 2,920.6	\$ 2,586.7
Revenues	30,183.1	31,394.4	31,394.4
Total Funds Available	\$32,785.4	\$34,315.0	\$33,981.1
Expenditures			
ADOA Staffing	\$700.3	\$732.3	\$732.3
Hiring Freeze Transfer	6.7	6.7	
Capital Projects			
Fort Grant Closure	0.0	43.1	0.0
Yuma Water Treatment	175.2	635.8	0.0
Operating Budget			
Community Corrections	380.4	380.5	380.5
Private Prison Per Diem	27,418.7	28,674.3	28,674.3
Spending (Prior Year)	1,183.5	1,255.6	0.0
Total Expenditures	\$29,864.8	\$31,728.3	\$29,787.1
Fund Balance	\$ 2,920.6	\$2,586.7	\$ 4,194.0

^{1/} FY 2009 figures represent funding as appropriated and assume all monies appropriated prior to FY 2009 are expended.

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 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	555,400	599,300
Year-End Fund Balance	1,438,800	38,900
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	28,829,900	30,929,900
Year-End Fund Balance	1,566,600	1,566,600
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	18,300	21,800
Year-End Fund Balance	4,800	4,800

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
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	27,799,100	29,054,800
Year-End Fund Balance	2,906,800	2,122,600
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 State Department of Corrections (ADC) administrative expenses.		
Funds Expended	5,022,900	5,617,000
Year-End Fund Balance	17,600	17,600
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	30,477,700	17,896,300
Year-End Fund Balance	307,000	718,900
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 departmentwide administrative and overhead costs.		
Funds Expended	2,130,400	1,224,100
Year-End Fund Balance	209,500	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 inmates or other official needs as required, at the discretion of the Director of ADC.		
Funds Expended	485,700	485,000
Year-End Fund Balance	300	300
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	374,100	71,900
Year-End Fund Balance	123,600	118,600
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	2,585,400	2,254,900
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance*	521,700	(630,200)

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)		Appropriated
Source of Revenue: Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	17,535,300	15,050,000
Year-End Fund Balance*	905,000	(325,900)
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 Arizona Department of Administration.		
Purpose of Fund: Reimbursements for losses of state property and to pay on-call duty claims.		
Funds Expended	364,300	350,000
Year-End Fund Balance	231,200	231,200
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	4,896,500	2,270,000
Year-End Fund Balance	1,818,800	1,818,000
State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)		Partially-Appropriated
Source of Revenue: Twenty-five 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	562,000	4,062,500
Non-Appropriated Funds Expended	598,200	310,200
Year-End Fund Balance*	1,320,700	(1,612,800)
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.		
Funds Expended	4,140,700	3,410,000
Year-End Fund Balance	102,400	102,400
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	457,500	424,000
Year-End Fund Balance	2,000	299,400
State Employee Recognition Gifts/Donations 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

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Transition Office Fund (DCA2379/A.R.S. § 31-284)		Appropriated
Source of Revenue: A 5% allocation of wages earned from inmates who earn at least \$2.00 per hour.		
Purpose of Fund: To pay for costs related to the transition program office.		
Funds Expended	180,000	180,000
Year-End Fund Balance*	95,800	56,200
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	387,300	600,000
Year-End Fund Balance	412,100	319,200

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