

State Department of Corrections

JLBC: Martin Lorenzo

OSPB: Kris Okazaki

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,932.5	9,552.9	10,015.2
Correctional Officer Personal Services	299,206,500	248,600,500	248,600,500
Health Care Personal Services	39,265,200	39,179,000	39,179,000
All Other Personal Services	65,793,700	64,258,900	64,258,900
Personal Services Subtotal	404,265,400	352,038,400	352,038,400
Employee Related Expenditures	175,314,000	174,799,300	174,799,300
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	9,739,100	12,139,700	12,139,700
Health Care All Other Operating Expenditures			
Professional and Outside Services	21,151,700	14,279,600	14,279,600
Travel - In State	17,800	12,000	12,000
Travel - Out of State	3,700	2,500	2,500
Other Operating Expenditures	63,481,300	46,245,900	66,245,900
Equipment	89,900	60,700	60,700
Health Care Operating Subtotal	84,744,400	60,600,700	80,600,700
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	7,373,900	7,589,800	7,589,800
Travel - In State	109,800	101,700	101,700
Travel - Out of State	67,600	66,700	66,700
Other Operating Expenditures	38,447,200	37,922,300	37,922,300
Food	73,117,400	74,156,300	74,156,300
Equipment	3,892,800	1,093,500	1,093,500
Non-Health Care Operating Subtotal	123,008,700	120,930,300	120,930,300
OPERATING SUBTOTAL	797,071,600	720,508,400	740,508,400
SPECIAL LINE ITEMS			
County Jail Beds	775,200	866,200	866,200
New State Prison Beds	0	5,064,100	74,165,800
Private Prison Per Diem	80,319,100	92,324,900	133,442,000
Provisional Beds	81,297,500	94,879,900	42,832,900
Continue Lump Sum Reduction	0	0	(9,809,400)
5 th Special Session Reduction	0	(1,063,400)	(1,063,400)
AGENCY TOTAL	959,463,400	912,580,100	980,942,500
FUND SOURCES			
General Fund	916,330,900	868,927,000	937,289,400
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	392,600	554,400	554,400
Corrections Fund	25,504,400	29,017,600	29,017,600
Penitentiary Land Fund	1,418,800	979,200	979,200
Prison Construction and Operations Fund	13,929,200	11,499,400	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	1,208,700	360,000	360,000
State Education Fund for Correctional Education	231,000	507,500	507,500
Transition Office Fund	177,600	180,000	180,000
Transition Program Drug Treatment Fund	270,200	555,000	555,000
SUBTOTAL - Other Appropriated Funds	43,132,500	43,653,100	43,653,100
SUBTOTAL - Appropriated Funds	959,463,400	912,580,100	980,942,500
Other Non-Appropriated Funds	42,854,000	44,738,400	44,738,400
Federal Funds	15,387,100	65,354,100	65,354,100
TOTAL - ALL SOURCES	1,017,704,500	1,022,672,600	1,091,035,000

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	68,362,400	7.9%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	68,362,400	7.5%
Non-Appropriated Funds	0	0.0%
Total - All Sources	68,362,400	6.7%

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.

Operating Budget

The Baseline includes \$740,508,400 and 9,268.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$726,627,200
Alcohol Abuse Treatment Fund	599,300
Corrections Fund	343,300
Prison Construction and Operations Fund	11,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	548,600
Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

FY 2011 adjustments would be as follows:

AHCCCS Rate Structure GF 20,000,000

The Baseline includes an increase of \$20,000,000 from the General Fund in FY 2011 to restore a portion of the FY 2010 reduction associated with the Arizona Health Care Cost Containment System (AHCCCS) rate structure. The Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6), specified that ADC’s reimbursements for: 1) health and medical services shall not exceed the capped fee-for-service schedule that is adopted by AHCCCS, and 2) inpatient and outpatient hospital services shall not exceed the reimbursement methodology adopted by AHCCCS.

As a result of this provision, 2 of the largest private health care providers to ADC have opted out of their contracts. While the department is in the process of attempting to enter into additional contracts, their projections suggest the need to restore \$20,000,000 of the \$26,000,000 reduction. A supplemental for an equivalent amount is anticipated in FY 2010. (Please see “Other Issues for Legislative Consideration” for additional information.)

State Fiscal Stabilization Fund GF 0

The Baseline continues a decrease of \$(50,000,000) from the General Fund and the use of an equivalent amount of state fiscal stabilization funds to offset the decrease in FY 2011. 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 \$185,000,000, approximately \$105,000,000 is projected to be expended in FY 2010, including \$50,000,000 for Correctional Officer Personal Services. The remaining \$80,000,000 (of the \$185,000,000) may be available for use in FY 2011, including \$50,000,000 for the Correctional Officer Personal Services line item.

County Jail Beds

The Baseline includes \$866,200 from the General Fund for County Jail Beds in FY 2011. This amount is unchanged from FY 2010.

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 Legislative Consideration” for additional information.)

New State Prison Beds

The Baseline includes \$74,165,800 and 746.3 FTE Positions from the General Fund for New State Prison Beds in FY 2011. FY 2011 adjustments would be as follows:

Lease-Purchase Payment GF 11,000,000

The Baseline includes an increase of \$11,000,000 from the General Fund in FY 2011 for the lease-purchase payment associated with the 4,000 state prison beds. In FY 2010, the lease-purchase payment associated with the public beds totaled \$16,064,100 and the original FY 2010 General Appropriation Act appropriated an equivalent amount from the General Fund for the payment. Laws 2009, 5th Special Session, however, reduced this amount by \$11,000,000 in FY 2010 due to the Arizona Department of Administration (ADOA) and ADC reporting that, after paying all construction costs associated with the 4,000 state beds, \$11,800,000 generated from the issuance would be available for use on a one-time basis. Because these were one-time monies, to fund the lease-purchase payment in its

entirety in FY 2011 would require the restoration of \$11,000,000.

4,000 State Beds **GF 58,101,700**

The Baseline includes an increase of \$58,101,700 and 746.3 FTE Positions from the General Fund in FY 2011 for costs associated with phasing-in 4,000 state prison beds. 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 have been constructed as follows: 1,000 female beds in Perryville, 1,000 male beds in Tucson, and 2,000 male beds in Yuma.

The \$58,101,700 would be allocated amongst various line items and is comprised of the following:

- \$7,051,900 for one-time start-up costs (equipment and other operating expenditures) associated with all 4,000 state prison beds; and
- \$51,049,800 in ongoing operating costs associated with the phase-in of 400 new beds per week starting July 1, 2010.

In total, the annual cost to operate all 4,000 state beds (excluding the annual lease-purchase payment) is anticipated to be \$56,039,600. Including the annual lease-purchase payment of \$16,064,100, which is entirely funded in the Baseline, the annual cost to operate all 4,000 state beds is approximately \$72,103,700. These estimates, however, do not include indirect costs. Assuming a portion of the one-time monies reflected above are continued to offset the full-year operating costs of the beds, a savings of \$(2,062,100) would be available in FY 2012.

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 Legislative Consideration” for additional information.)

Private Prison Per Diem

The Baseline includes \$133,442,000 for Private Prison Per Diem in FY 2011. This amount consists of:

General Fund	104,767,700
Corrections Fund	28,674,300

FY 2011 adjustments would be as follows:

2,000 Private Beds **GF 39,977,700**

The Baseline includes an increase of \$39,977,700 from the General Fund in FY 2011 for costs associated with the new private beds located in Kingman. In addition to the 4,000

public beds, Chapter 261 authorized ADOA to contract for 2,000 new private prison beds to be located in the state. The contract for these beds was awarded to Management and Training Corporation as an expansion to the existing 1,400 private bed facility located Kingman. Construction of the 2,000 additional beds is anticipated to be completed by January 11, 2010, at which time the new beds were anticipated to be phased-in at a rate of 50 additional beds per week. To be more consistent with ADC’s draft bed plan, however, all 2,000 beds are anticipated to be phased-in starting April 2010 and continuing through the end of the fiscal year. As a result, these monies would fund the costs associated with the annualization of all 2,000 new beds, and the increased per diem rate for the previously existing 1,400 beds at the facility.

Including this adjustment, ADC would have sufficient funding for the occupancy of all 3,400 beds at this facility for an entire fiscal year, assuming a per diem rate of \$62.16. Anecdotally, ADC has indicated that there are ongoing discussions between the vendor and the department that may result in a lower per diem rate. If a lower per diem rate is agreed upon, the amount associated with this issue would be reduced.

Lump Sum Reallocation **GF 1,139,400**

The Baseline includes an increase of \$1,139,400 from the General Fund in FY 2011 for a reallocation of the agency’s FY 2010 Lump Sum reduction. The agency reported allocating \$(1,139,400) of its \$(34,645,900) FY 2010 lump sum reduction to this Special Line Item (SLI); and while the lump sum reduction is continued in FY 2011, this amount has been moved to its own Special Line Item to reflect full funding of the Private Prison Per Diem SLI.

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 Legislative Consideration” for additional information.)

Provisional Beds

The Baseline includes \$42,832,900 for Provisional Beds in FY 2011. This amount consists of:

General Fund	40,671,900
Penitentiary Land Fund	979,200
Prison Construction and Operations Fund	1,181,800

FY 2011 adjustments would be as follows:

Phase-Out Provisional Beds GF (60,717,000)

The Baseline includes a decrease of \$(60,717,000) from the General Fund in FY 2011 as a result of phasing-out provisional beds. In FY 2010, ADC received funding for 4,892 provisional beds located at 3 separate out-of-state facilities. Based on ADC’s draft beds plan, the department would not renew 2 of the 3 existing provisional bed contracts. These actions result in savings totaling \$(60,717,000) in FY 2011, including:

- \$(17,566,700) as a result of not renewing the contract for 752 beds in Walsenburg, Colorado at a per diem rate of \$64.00. While the contract for these beds expires March 2010, ADC’s draft bed plan suggests these beds would be phased-out between March and April 2010.
- \$(43,150,300) as a result of not renewing the contract for 2,160 beds in Watonga, Oklahoma at a per diem rate of \$59.45. While the contract for these beds expires May 2010, this level of savings assumes the 2,160 beds are phased out at a rate of 250 beds per week between July and August 2010. The annualized savings associated with this contract is \$(3,445,700) and would be realized in FY 2011.

After these adjustments, ADC’s remaining contract is for 1,980 provisional beds in Hinton, Oklahoma at a per diem rate of \$54.50. While this contract expires in September 2010, ADC intends on renewing it for an additional year. As a result, this SLI includes \$39,387,200 to fund the full-year cost of all 1,980 beds.

Lump Sum Reallocation GF 8,670,000

The Baseline includes an increase of \$8,670,000 from the General Fund in FY 2011 for a reallocation of the agency’s FY 2010 lump sum reduction. The agency reported allocating \$(8,670,000) of its \$(34,645,900) FY 2010 lump sum reduction to this SLI; and while the lump sum reduction is continued in FY 2011, this amount has been moved to its own Special Line Item to reflect full funding of the Provisional Beds SLI.

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.)

Continue Lump Sum Reduction

The Baseline includes \$(9,809,400) from the General Fund to continue the FY 2010 lump sum reduction in FY 2011. FY 2011 adjustments would be as follows:

Lump Sum Reallocation GF (9,809,400)

The Baseline includes a decrease of \$(9,809,400) from the General Fund in FY 2011 for a reallocation of the agency’s FY 2010 lump sum reduction. The agency received a lump sum reduction of \$(34,645,900) in FY 2010 that would continue in FY 2011. Of this amount, ADC allocated \$(8,670,000) and \$(1,139,400) to the Provisional Beds and Private Prison Per Diem SLI, respectively. These amounts have been moved to its own Special Line Item to reflect full funding of the Provisional Beds and Private Prison Per Diem SLI’s in FY 2011. This lump sum reduction would be allocated proportionally among line items in the General Appropriation Act.

5th Special Session Reduction

The Baseline includes \$(1,063,400) in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This amount consists of:

Alcohol Abuse Treatment Fund	(44,900)
Prison Construction and Operations Fund	(932,400)
State Education Fund for Correctional Education	(41,100)
Transition Program Drug Treatment Fund	(45,000)

This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

FORMAT — Operating Lump Sum with Special Line Items by Agency (*The Baseline would change the agency format as issues related to the allocation of monies are no longer as prevalent as in prior fiscal years.*)

FOOTNOTES

Standard Footnotes

It is the intent of the Legislature that in FY 2011, \$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).

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.

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.

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.

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 with 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 \$507,500, 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 Baseline would delete the footnote that specifies what is included in the Personal Services and Employee Related Expenditures for Overtime/Compensatory Time. *(This footnote would be deleted as the name of the line item describes its contents.)*

The Baseline would delete the footnote that specifies transfers between various line items shall require review by the Joint Legislative Budget Committee. *(This footnote would be deleted to give the department more flexibility in implementing its budget.)*

The Baseline would delete the footnote that restricts the locations where geographic stipends are offered. *(This would be deleted as the agency has implemented this practice.)*

STATUTORY CHANGES

The Baseline would:

- As session law, continue to require ADC to report actual FY 2010, estimated FY 2011, and requested FY 2012 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 2012 budget request pursuant to A.R.S. § 35-113.
- As permanent law, continue to permit ADC to use monies appropriated from the Transition Office Fund for any operating expenses related to the Transition Program. This provision was previously a session law.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction

The State Department of Corrections was originally budgeted 9,749.9 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Department of Corrections to reduce an additional 203 FTE Positions in FY 2010 and 487 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget.

FY 2010 Supplemental

The Baseline includes a \$20,000,000 General Fund supplemental in FY 2010 as a result of health care providers unwillingness to contract with ADC for: 1) health and medical services that do not exceed the capped fee-for-service schedule that is adopted by the AHCCCS, and 2) inpatient and outpatient hospital services that do not exceed the reimbursement methodology adopted by AHCCCS. This rate structure was required by the FY 2010 Criminal Justice Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 6) and is believed to have resulted in 2 of the largest private health care providers to ADC having opted out of their contracts. While the department is in the process of attempting to enter into additional contracts, their projections suggest the need to restore \$20,000,000 of the \$26,000,000 reduction.

Outstanding Provisions

Laws 2009, 3rd Special Session, Chapter 6 (FY 2010 Criminal Justice Budget Reconciliation Bill) included several provisions that may impact the department's operations. These issues/provisions include:

- Privatization of Healthcare - ADC issued a Request for Information (RFI) in July 2009 and must submit a Request for Proposal (RFP) to the Joint Legislative

Budget Committee (JLBC) for review (by January 1, 2010) for purposes of privatizing correctional health services, including medical and dental services that are provided within state-owned and operated prison facilities. ADC is required to award a contract by May 1, 2010.

- Concessions Agreement - Upon review by the Joint Committee on Capital Review (JCCR), ADOA, in consultation with ADC, shall issue an RFI to determine the feasibility of a concessions agreement and shall issue an RFP (by April 1, 2010) for a concession agreement allowing a private vendor(s) to operate Arizona State Prison Complex(s). The concession agreement(s) must: 1) result in an up front payment to the state, 2) exclude ASPC - Yuma, 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.
- 5,000 New Private Beds - ADC received authorization to issue an RFP for 5,000 new in-state private prison beds. The RFP shall: 1) permit the award of 1 or more contracts, 2) allow 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.

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 1* identifies actual and projected Corrections Fund revenues and expenditures.

Bed Plan

As of June 30, 2009, ADC managed a total population of 41,412 inmates, a total bed count of approximately 36,452 beds, and a bed shortfall of 4,960 beds (or 18.2% of state bed capacity). The 36,452 beds are comprised of the following 4 types of prison beds:

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

	FY 2009	FY 2010 ^{1/2/}	FY 2011 ^{2/}
Beginning Balance	\$ 2,906.7	\$ 3,705.7	\$ 0.0
Revenues	28,717.5	29,039.7	29,039.7
Total Funds Available	\$31,624.2	\$32,745.4	\$29,039.7
Expenditures			
ADOA Staffing	\$ 536.1	\$ 568.9	\$ 568.9
ADOA Fund Transfers	482.7	167.5	0.0
Capital Projects			
Fort Grant Closure	0.0	43.1	0.0
Prison Complex	0.0	260.7	0.0
Yuma Water Treatment	175.2	2,013.8	0.0
Operating Budget			
ADC	25,504.4	29,017.6	29,017.6
Spending (Prior Year)	1,204.5	2,427.0	0.0
Fund Transfers	15.6	37.2	0.0
Total Expenditures	\$27,435.8	\$34,535.8	\$29,586.5
Fund Balance	\$ 3,705.7	\$ (1,790.4)	\$ (546.8)

1/ FY 2010 amounts represent funding as appropriated and assume all monies appropriated through FY 2010 are expended.
2/ Actual ending balance will not be negative. Excluding non lapsing appropriations, the FY 2010 and FY 2011 ending balance would be \$527.2 and \$(19.6), respectively.

- Provisional Beds: 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: 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.
- County Beds: 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.

ADC Bed Plan

ADC has provided a bed plan that identifies how they propose to utilize their resources while ensuring they have an adequate supply of beds available to manage their current and future populations. While their plan includes details on the movement of populations between the various types of beds identified above, it also addresses the phase-in and phase-out of existing beds and new beds. Some of these changes, by bed type, include:

- State Beds: Adding 4,000 previously authorized beds located at Perryville (1,000), Tucson (1,000), and Yuma (2,000). The Baseline also funds these additional beds in FY 2011.
- Provisional Beds: Eliminating 752 beds in FY 2010, an additional 2,160 beds in FY 2011, and the remaining 1,980 in FY 2012. The FY 2011 Baseline

incorporates the adjustments associated with ADC's reduced provisional bed need in FY 2011.

- Private Beds: Occupying 5,000 previously authorized in-state beds in FY 2012. As eluded to above, Laws 2009, 3rd Special Session, Chapter 6, authorized these beds.

Population Growth

In FY 2009, ADC's fiscal year-end inmate population totaled 41,412. In FY 2010, ADC was appropriated monies for population growth of 151 inmates per month, or 1,812 inmates a year, for an estimated fiscal year-end population of 43,224. Assuming inmate growth in FY 2011 and FY 2012 is similar to the actual growth the department saw in FY 2009, which was a net increase of 126 inmates per month, the FY 2011 and FY 2012 year-end inmate populations would be 44,736 and 46,248, respectively. It is important to note, however, that population growth is volatile, where over the past 12 months, the month-over-month change has ranged from a decrease of (76) inmates in November 2009, to an increase of 266 inmates in January 2009. Should actual population growth remain below the estimates, the projected bed shortfalls reflected in *Table 2* would decrease.

Bed Shortfall

After incorporating population growth and ADC's bed plan, the FY 2010 year-end bed shortfall is anticipated to be (5,510). This shortfall would decrease slightly to (5,002) in FY 2011, after adding all 6,000 previously authorized public and private beds and eliminating a portion of the provisional beds. With the addition of the 5,000 private beds authorized in Chapter 6 and ADC eliminating the all remaining provisional beds, the bed shortfall would fall to (3,494) in FY 2012.

Table 2 identifies the number of beds by bed type, the inmate population, the resulting bed shortfall, as well as the bed shortfall as a percent of state beds.

Table 2

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

	FY 2009 <u>Actual</u>	Incorporates ADC Bed Plan			FY 2010 <u>Per Diem</u>
		FY 2010 <u>Year End</u>	FY 2011 <u>Year End</u>	FY 2012 <u>Year End</u>	
State:					
Douglas	2,270	2,270	2,270	2,270	
Eyman	4,210	4,210	4,210	4,210	
Florence	3,372	3,372	3,372	3,372	
Perryville ^{1/}	3,260	3,260	4,260	4,260	
Phoenix	822	822	822	822	
Lewis	4,270	4,270	4,270	4,270	
Safford	1,548	1,548	1,548	1,548	
Tucson ^{1/}	3,640	3,640	4,640	4,640	
Winslow	1,666	1,666	1,666	1,666	
Yuma ^{1/}	<u>2,190</u>	<u>2,190</u>	<u>4,190</u>	<u>4,190</u>	
Sub-Total	27,248	27,248	31,248	31,248	
Provisional:					
Watonga, Oklahoma	2,160	2,160	0	0	\$59.45
Hinton, Oklahoma	1,980	1,980	1,980	0	54.50
Huerfano, Colorado	<u>752</u>	<u>0</u>	<u>0</u>	<u>0</u>	64.00
Sub-Total	4,892	4,140	1,980	0	
Private:					
Kingman	1,400	3,220	3,400	3,400	\$62.16
Phoenix West	400	400	400	400	49.28
Marana	450	450	450	450	49.03
Florence West	600	600	600	600	52.19
Florence II	1,000	1,000	1,000	1,000	67.34
Emergency Beds	414	608	608	608	14.86-33.76
New Beds ^{2/}	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	NA
Sub-Total	4,264	6,278	6,458	11,458	
County Jails:					
Navajo	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>	\$49.44
Total	36,452	37,714	39,734	42,754	
Projected Population^{3/}	41,412	43,224	44,736	46,248	
Projected Bed Shortfall (Year End)	(4,960)	(5,510)	(5,002)	(3,494)	
Projected Bed Shortfall (as % of State Beds)	(18.2)%	(20.2)%	(16.0)%	(11.2)%	

^{1/} Reflects the additional 6,000 public and private prison beds authorized by Laws 2007, Chapter 261.

^{2/} Reflects the additional 5,000 private prison beds authorized by Laws 2009, 3rd Special Session, Chapter 6.

^{3/} Reflects actual FY 2009 population on June 30 and growth of 151 inmates per month in FY 2010 and 126 inmates per month in FY 2011 and FY 2012.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 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	392,600	554,400
Year-End Fund Balance	174,500	95,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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 ACT's buildings and equipment; and pay other associated ACI operational costs.		
Funds Expended	29,083,600	30,157,500
Year-End Fund Balance	7,209,900	3,880,200
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	4,300	1,000
Year-End Fund Balance	1,400	1,400
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, lease, 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	25,504,400	29,017,600
Year-End Fund Balance	4,899,700	1,771,000
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. Beginning in FY 2010, Laws 2009, 3 rd Special Session, Chapter 6 requires these monies to be allocated through the Treasurer's Office rather than ADC.		
Purpose of Fund: For distribution to counties for the training of detention officers, county jail operational enhancement, and ADC administrative expenses.		
Funds Expended	5,565,800	5,867,400
Year-End Fund Balance	29,000	18,900
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	15,387,100	15,354,100
Year-End Fund Balance	142,700	99,100
Federal Grants - American Recovery and Reinvestment Act (ARRA) (DCA2999/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
Purpose of Fund: One-time Federal Funds to be used by the department for Correctional Officer Personal Services in FY 2010.		
Funds Expended	0	50,000,000
Year-End Fund Balance	0	0
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	1,318,800	1,059,500
Year-End Fund Balance	36,000	700

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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	472,500	472,500
Year-End Fund Balance	1,000	1,000
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	223,200	105,000
Year-End Fund Balance	59,100	35,500
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	1,418,800	979,200
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	10,000	330,400
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 DUI offenses.		
Purpose of Fund: To pay for any costs related to prison overcrowding and department support and maintenance.		
Funds Expended	13,929,200	11,499,400
Year-End Fund Balance*	(307,100)	2,500
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	445,600	360,000
Year-End Fund Balance	334,800	294,800
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	3,413,100	3,385,500
Year-End Fund Balance	518,000	63,300
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	1,208,700	360,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	1,463,800	2,624,000

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
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	2,327,100	3,330,000
Year-End Fund Balance	964,800	373,800
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	231,000	507,500
Year-End Fund Balance	208,900	192,300
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	0	0
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	177,600	180,000
Year-End Fund Balance	94,100	276,000
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	270,200	555,000
Year-End Fund Balance	232,400	1,004,900

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