

State Department of Corrections

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	9,932.5	10,015.2	10,015.2
Correctional Officer Personal Services	245,988,800	312,407,700	314,111,000
Health Care Personal Services	37,922,900	40,261,200	40,522,600
All Other Personal Services	62,068,400	64,492,000	64,257,400
Personal Services Subtotal	345,980,100	417,160,900	418,891,000
Employee Related Expenditures	170,584,900	193,396,000	194,499,300
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	8,511,900	10,060,800	10,046,900
Health Care All Other Operating Expenditures			
Professional and Outside Services	11,306,600	12,578,900	16,555,400
Travel - In State	27,500	41,600	43,100
Food	762,300	0	0
Other Operating Expenditures	60,342,300	64,909,200	65,152,200
Equipment	1,106,200	1,515,300	1,247,800
Health Care Operating Subtotal	73,544,900	79,045,000	82,998,500
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	2,881,700	3,744,200	3,886,900
Travel - In State	90,500	121,500	123,300
Travel - Out of State	85,000	87,700	87,700
Food	40,209,800	45,493,700	48,184,200
Other Operating Expenditures	70,475,500	88,116,100	100,141,900
Equipment	9,027,100	12,402,800	5,791,300
Non-Health Care Operating Subtotal	122,769,600	149,966,000	158,215,300
OPERATING SUBTOTAL	721,391,400	847,628,700	864,651,000
SPECIAL LINE ITEMS			
County Jail Beds	364,600	0	0
New State Prison Beds	16,064,100	0	0
Private Prison Per Diem	87,132,100	124,302,600	127,636,600
Provisional Beds	85,380,500	8,359,600	0
Leap Year Costs	0	0	800,100
Narrowband Radio Conversation	0	0	5,750,000
AGENCY TOTAL	910,332,700	980,290,900	998,837,700 ^{1/2/3/4/5/}
FUND SOURCES			
General Fund	871,270,800	936,637,400	948,188,600
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	409,600	554,400	554,400
Corrections Fund	26,039,500	29,017,600	27,517,600
Penitentiary Land Fund	979,200	979,200	1,979,200 ^{6/}
Prison Construction and Operations Fund	10,398,200	11,499,400	13,249,400
State Charitable, Penal and Reformatory Institutions Land Fund	337,000	360,000	3,360,000 ^{7/}
State Education Fund for Correctional Education	472,900	507,900	503,500 ^{8/}
Transition Program Fund	0	180,000	930,000
Transition Services Fund	425,500	555,000	2,555,000
SUBTOTAL - Other Appropriated Funds	39,061,900	43,653,000	50,649,100
SUBTOTAL - Appropriated Funds	910,332,700	980,290,900	998,837,700
Other Non-Appropriated Funds	38,208,600	47,038,400	49,538,400
Federal Funds	64,695,000	14,973,400	13,813,000
TOTAL - ALL SOURCES	1,013,236,300	1,042,302,700	1,062,189,100

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 budget includes \$864,651,000 and 10,015.2 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	<u>FY 2012</u>
General Fund	\$848,248,700
Alcohol Abuse Treatment Fund	554,400
Prison Construction and Operations Fund	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	503,500
Transition Program Fund	930,000
Transition Services Fund	2,555,000

These amounts fund the following adjustments:

New State Beds

The budget includes an increase of \$4,242,000 from the General Fund in FY 2012 to annualize the cost associated with new state beds.

In FY 2011, ADC opened 5,000 new beds, including: 1,250 female beds in Perryville, 1,250 male beds in Tucson, and 2,500 male beds in Yuma. The original legislation (Laws 2007, Chapter 261) authorized 4,000 state beds.

Restore State Bed Funding

The budget includes an increase of \$2,000,000 from the General Fund in FY 2012 to restore funding for operating state beds. The mid-year FY 2011 revisions included a one-time \$(2,000,000) decrease in funding for operating

state beds associated with lower-than-anticipated start-up costs for new state beds.

Returning Prisoners to State Beds

The budget includes an increase of \$9,199,900 from the General Fund in FY 2012 to fund the annualized marginal costs for prisoners returned to state-operated beds from out-of-state provisional beds. The state returned all prisoners from out-of-state provisional beds by November 2010. This increase will fund the marginal costs such as medical care and food for these returning prisoners.

Additional Operating Authority

The budget includes an increase of \$2,750,000 in FY 2012 for additional operating authority. This amount consists of:

Transition Program Fund	750,000
Transition Services Fund	2,000,000

The Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 33) permits the department to use these funds, as well as the Inmate Store Proceeds Fund, for department operating expenses in FY 2012.

Statewide Adjustments

The budget includes a decrease of \$(1,169,600) in FY 2012 for statewide adjustments. This amount consists of:

General Fund	(1,165,200)
State Education Fund for Correctional Education	(4,400)

(Please see the Agency Detail and Allocations section.)

- 1/ 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)
- 2/ Before placing any inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in this state and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 3/ 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 be in the same format as the prior fiscal year and 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)
- 4/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 5/ In addition to these amounts, a total of \$18,808,700 GF and \$18,000 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*
- 6/ One hundred percent of land earnings and interest from the Penitentiary 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)
- 7/ 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)
- 8/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$503,500, 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)

County Jail Beds

The budget includes no funding in FY 2012 for County Jail Beds. Monies in this line item provided funding for beds used by ADC at county jails. These beds were county-operated non-permanent beds used as overflow for state-operated beds. In December 2009, ADC vacated all county jail beds.

New State Prison Beds

The budget includes no funding in FY 2012 for New State Prison Beds. Monies in this line item provided funding for 4,000 state prison beds authorized by Laws 2007, Chapter 261. These monies were transferred into the operating budget in FY 2011.

Private Prison Per Diem

The budget includes \$127,636,600 in FY 2012 for Private Prison Per Diem. This amount consists of:

General Fund	99,139,800
Corrections Fund	27,517,600
Penitentiary Land Fund	979,200

These amounts fund the following adjustments:

Private Beds Alignment

The budget includes a decrease of \$(4,666,000) in FY 2012 to align private prison funding with ADC-anticipated private bed utilization. This amount consists of:

General Fund	(3,166,000)
Corrections Fund	(1,500,000)

Restore Contracted Funding

The budget includes an increase of \$8,000,000 from the General Fund in FY 2012 to restore contracted funding for private beds. The mid-year FY 2011 revisions included a one-time \$(8,000,000) decrease in funding for private prison per diem associated with lower-than-anticipated FY 2011 usage.

Background – Monies in this line item are paid out to private prison contractors for housing Arizona inmates in 6,458 beds under contract in FY 2012. 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. Administrative expenses related to private prison contracts are included in the department’s operating budget subtotal.

Provisional Beds

The budget includes no funding in FY 2012 for Provisional Beds. This amount includes the following adjustments:

Eliminate Funding for Remaining Provisional Beds

The budget includes a decrease of \$(8,359,600) from the General Fund in FY 2012 to eliminate the funding associated with previously contracted provisional beds. ADC was appropriated an equivalent amount in FY 2011 to fund a single contract for 1,980 provisional beds located in Hinton, Oklahoma through the fall 2010. This contract was not renewed and all inmates were transferred from the facility to other public or private beds by November 2010.

Background – Monies in this line item provided funding for provisional beds. Typically, provisional beds are temporarily “rented” on an annual basis. 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.

Leap Year Costs

The budget includes \$800,100 from the General Fund in FY 2012 for a new Leap Year Costs Special Line Item. Because FY 2012 will include an extra day for 2012’s leap year, certain costs paid by the department on a per diem basis such as private prison per diem will increase by one day. This line item funds those one-time costs.

Narrowband Radio Conversion

The budget includes \$5,750,000 in FY 2012 for a new Narrowband Radio Conversion Special Line Item. This amount consists of:

Penitentiary Land Fund	1,000,000
Prison Construction and Operations Fund	1,750,000
State Charitable, Penal and Reformatory Institutions Land Fund	3,000,000

These one-time monies will be used to convert department radios and other equipment to narrowband frequency by January 2013 as mandated by the Federal Communications Commission.

Fund Transfers

The budget includes transfers from this agency’s funds to the General Fund. (*Please see the Fund Transfers section at the back of this report for more details.*)

Additional Legislation

Sentences of Less Than a Year and County Jails

The Criminal Justice BRB (Laws 2011, Chapter 33) requires persons convicted of a crime after July 1, 2012 and receiving a sentence less than 1 year at ADC to serve that sentence in county jails. If convicted prior to July 1, 2012, that category of inmates would serve the remainder of their term at ADC and counties would reimburse the state for those costs. County sheriffs are required to notify ADC by February 1, 2012 if they plan to house prisoners or if they will reimburse ADC for the costs of housing them. ADC is required to present its plan for FY 2013 budget savings from reduced bed usage and marginal costs to JLBC by March 1, 2012.

Budget Structure

The Criminal Justice BRB (Laws 2011, Chapter 33) requires the department to report FY 2011 actual expenditures, FY 2012 estimated expenditures, and FY 2013 requested expenditure amounts for each line item as delineated in the prior year when the department submits its FY 2013 budget request pursuant to A.R.S. § 35-113.

Building Renewal Fund

The Criminal Justice BRB (Laws 2011, Chapter 33) establishes a new Building Renewal Fund in the department for capital projects and preventative maintenance. It permits the ADC Director to charge an inmate visitor's fee to all visitors 18 years or older and to set a fee for deposits into inmates' personal accounts and directs those revenues, along with specified yearly transfers from 4 funds, into the new fund. *(Please see the Capital Budget - ADOA narrative for more information.)*

Privatized Health Care

Laws 2011, Chapter 278 modifies Laws 2009, 3rd Special Session, Chapter 6, which included a requirement mandating that the department issue a Request for Proposals (RFP) to privatize some or all of its correctional health care cost if the cost was below the FY 2008 costs for those services. Chapter 278 eliminates the FY 2008 reference and requires the department to issue a Request for Information within 30 days of the bill's effective date (i.e., no later than August 19, 2011) and then, within 90 days of JLBC review of the information submitted, issue an RFP for which the contract shall be awarded to the best qualified bidder. Chapter 278 also prohibits the department or its contractor from paying above AHCCCS rates for services.

FY 2011 Supplemental

The mid-year FY 2011 adjustments included a reduction of \$(10,000,000) from the General Fund for one-time savings associated with private prisons and new state prison beds. *(Please see the operating budget and Private Prison Per Diem narratives for more detail.)*

Other Issues

Bed Counts

Table 1 reflects the FY 2010 – FY 2012 bed counts by bed type and facility. The FY 2011 and FY 2012 projected population reflects growth of an additional 27 inmates per month, or 324 inmates per year, based on the average actual population growth over the past 2 years.

Bed Shortfall

In FY 2010, the ADC actual beds shortfall was (4,971). After incorporating population growth and any bed adjustments, the FY 2011 year-end bed shortfall is anticipated to be (1,586), or (4.9)% of state operated beds. In FY 2012, the budget projects the bed shortfall to increase to (1,910), or (5.9)% of state operated beds.

The FY 2010 budget authorized an RFP to open 5,000 new in-state private beds. After withdrawing the original RFP in September 2010, ADC released a revised RFP in February 2011. The department has stated that it does not expect to begin placing prisoners in the new in-state private beds until April 2013.

Table 1**Fiscal Year End Bed Count by Bed Type and Facility**

	FY 2010	FY 2011	FY 2012
	<u>Actual</u>	<u>Year End</u>	<u>Year End</u>
<u>State:</u>			
Douglas	2,270	2,270	2,270
Eyman	4,210	4,210	4,210
Florence	3,372	3,372	3,372
Perryville	3,260	4,510	4,510
Phoenix	822	822	822
Lewis	4,270	4,270	4,270
Safford	1,548	1,548	1,548
Tucson	3,640	4,890	4,890
Winslow	1,666	1,666	1,666
Yuma	2,190	4,690	4,690
Subtotal ^{1/}	27,248	32,248	32,248
<u>Provisional:</u>			
Hinton, Oklahoma	1,980	0	0
<u>Private (Per Diem):</u>			
Kingman (\$62.16)	3,220	3,400	3,400
Phoenix West (\$49.28)	400	400	400
Marana (\$49.03)	450	450	450
Florence West (\$44.95-55.79)	600	600	600
Florence II (\$67.22)	1,000	1,000	1,000
Temporary Beds (\$12.60-22.00)	608	608	608
Subtotal ^{2/}	6,278	6,458	6,458
Total – All Beds	35,506	38,706	38,706
Population ^{3/}	40,477	40,292	40,616
Bed Shortfall (June)	(4,971)	(1,586)	(1,910)
Bed Shortfall (% of Beds)	(18.2)%	(4.9)%	(5.9)%

^{1/} Reflects ADC adding 5,000 (as opposed to the 4,000) public prison beds authorized by Laws 2007, Chapter 261.

^{2/} Does not reflect the additional 5,000 private prison beds authorized by Laws 2009, 3rd Special Session, Chapter 6.

^{3/} Assumes population growth of 27 inmates/month, or 324 inmates/year in last 6 months of FY 2011 and all FY 2012.