

## State Department of Corrections

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 APPROVED
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	9,566.0	9,566.0	9,569.0 <sup>1/</sup>
Correctional Officer Personal Services	322,746,300	356,924,800	351,085,300
Health Care Personal Services	3,563,700	3,542,300	3,542,300
All Other Personal Services	72,356,900	66,575,700	66,575,700
<b>Personal Services Subtotal</b>	<b>398,666,900</b>	<b>427,042,800</b>	<b>421,203,300</b>
<b>Employee Related Expenditures</b>	<b>233,785,100</b>	<b>272,708,300</b>	<b>251,490,100</b>
<b>Personal Services and Employee Related Expenditures for Overtime/Compensatory Time</b>	<b>68,028,000</b>	<b>15,540,500</b>	<b>15,540,500</b>
<b>Other Operating Expenditures</b>			
Professional and Outside Services	7,879,700	8,869,200	8,869,200
Travel - In State	143,600	169,000	169,000
Travel - Out of State	21,600	48,300	48,300
Food	36,699,000	39,503,000	37,218,800
Other Operating Expenditures	102,662,700	107,874,300	71,846,000
Equipment	4,544,200	21,479,400	24,122,100
<b>Other Operating Expenditures Subtotal</b>	<b>151,950,800</b>	<b>177,943,200</b>	<b>142,273,400</b>
<b>OPERATING SUBTOTAL</b>	<b>852,430,800</b>	<b>893,234,800</b>	<b>830,507,300</b> <sup>2/3/</sup>
<b>SPECIAL LINE ITEMS</b>			
Community Corrections	18,911,600	23,684,000	24,564,400
Private Prison Per Diem	154,061,400	197,548,800	237,554,100 <sup>4/5/</sup>
Inmate Health Care Contracted Services	177,657,900	203,173,100	269,681,300 <sup>6/7/</sup>
Medical Staffing Augmentation	0	15,000,000	0
Substance Abuse Treatment	0	5,000,600	6,100,700
Community Treatment Program for Imprisoned Women	0	0	2,000,000
Onetime Vehicle Purchase	0	0	9,048,400 <sup>8/</sup>
FY 2023 Salary Increase	0	0	116,656,800
Named Claimants	800	16,000	0
<b>AGENCY TOTAL</b>	<b>1,203,062,500</b>	<b>1,337,657,300</b>	<b>1,496,113,000</b> <sup>9/-16/</sup>
<b>FUND SOURCES</b>			
General Fund	1,162,398,100 <sup>2/</sup>	1,284,309,400	1,437,963,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	17,800	555,700	555,800
Corrections Fund	30,238,700	30,312,400	30,967,800
Inmate Store Proceeds Fund	616,100	1,379,800	5,544,200
Penitentiary Land Fund	2,653,300	2,790,700	2,777,600 <sup>12/</sup>
Prison Construction and Operations Fund	4,000,000	12,500,000	12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,400	2,665,800	2,665,100 <sup>18/</sup>
State Education Fund for Correctional Education	0	743,300	738,900 <sup>19/</sup>
Transition Program Fund	477,100	2,400,200	2,400,300
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>40,664,400</b>	<b>53,347,900</b>	<b>58,149,800</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,203,062,500</b>	<b>1,337,657,300</b>	<b>1,496,113,000</b>
Other Non-Appropriated Funds	84,459,600	60,415,900	60,415,900
Federal Funds	27,013,300	15,265,200	15,265,200
<b>TOTAL - ALL SOURCES</b>	<b>1,314,535,400</b>	<b>1,413,338,400</b>	<b>1,571,794,100</b>

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**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.

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**FOOTNOTES**

- 1/ Includes 187 GF FTE Positions funded from Special Line Items in FY 2023.
- 2/ Of the amount appropriated in the operating lump sum, \$510,616,000 is designated for personal services and \$296,059,400 is designated for employee-related expenditures. The department shall submit an expenditure plan to the joint legislative budget committee for review before spending these monies other than for personal services or employee-related expenditures, except that until January 1, 2023, if the department makes a transfer between two line items to maximize the use of federal monies, the department shall submit an expenditure plan that is not subject to review before spending those monies. (General Appropriation Act footnote, adjusted for back of the bill appropriations)
- 3/ After the department submits an expenditure plan to the joint legislative budget committee, the department may transfer personal services and employee-related expenditures savings from the operating budget to the private prison per diem line item for private prison staff stipends. The amount of any private prison staff stipend may not exceed the amount given to department staff. The expenditure plan is not subject to review by the joint legislative budget committee. (General Appropriation Act footnote)
- 4/ The private prison per diem line item includes an increase of \$17,505,300 from the state general fund in fiscal year 2022-2023 for a twenty percent salary increase for correctional officers and all other staff beginning from and after July 8, 2022. (General Appropriation Act footnote)
- 5/ Private prison vendors who contract with this state may use staff vacancy savings to pay for overtime costs without incurring a penalty or staffing offset. (General Appropriation Act footnote)
- 6/ Before implementing any changes in contracted rates for inmate health care contracted services, the state department of corrections shall submit its expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 7/ On or before August 1, 2022 and February 1, 2023, the state department of corrections shall submit a report to the joint legislative budget committee on the status of all inmate health care performance measures that are tracked by the department for contract monitoring purposes. Each report must include:
  1. The total number of performance measures, by facility, for which the department is not in substantial compliance.
  2. An explanation for each instance of noncompliance.
  3. The department's plan to comply with the performance measures. (General Appropriation Act footnote)
- 8/ The amount appropriated in the onetime vehicle purchase line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (General Appropriation Act footnote)
- 9/ 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)
- 10/ The state department of corrections shall forward 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 a monthly report comparing department expenditures for the month and year-to-date as compared to prior-year expenditures on or before the thirtieth of the following month. The report shall be in the same format as the prior fiscal year and 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. The report shall include the number of filled and vacant correctional officer and medical staff positions departmentwide and by prison complex. (General Appropriation Act footnote)
- 11/ On or before November 1, 2022, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee. The report shall reflect the bed capacity for each security classification by gender at each state-run and private institution, divided by rated and total beds. The report shall include bed capacity data for June 30, 2021 and June 30, 2022 and the projected capacity for June 30, 2023, as well as the reasons for any change within that time period. Within the total bed count, the department shall provide the number of temporary and special use beds. The report shall also address the department's rationale for eliminating any permanent beds rather than reducing the level of temporary beds. The report shall also include any plans to vacate beds but not permanently remove the beds from the bed count. (General Appropriation Act footnote)
- 12/ If the department develops a plan to open or close 100 or more state-operated or private prison rated beds, the department shall submit a plan detailing the proposed bed changes for review by the joint legislative budget committee before implementing these changes. (General Appropriation Act footnote)

- 13/ On or before August 1, 2022, the state department of corrections shall transfer to the public safety personnel retirement system via the department of administration its estimated required annual contribution to the corrections officer retirement plan for fiscal year 2022-2023. (General Appropriation Act footnote)
- 14/ On or before December 15, 2022 and July 15, 2023, the state department of corrections shall submit a report to the joint legislative budget committee on the progress made in meeting the staffing needs for correctional officers. Each report shall include the number of filled correctional officer positions, the number of vacant correctional officer positions, the number of people in training, the number of separations and the number of hours of overtime worked year-to-date. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)
- 15/ The department shall report actual fiscal year 2021-2022, estimated fiscal year 2022-2023, and requested fiscal year 2023-2024 expenditures as delineated in the prior year when the department submits its fiscal year 2023-2024 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriation Act footnote)
- 16/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 17/ 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 to support state penal institutions. (General Appropriation Act footnote)
- 18/ 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 to support state penal institutions. (General Appropriation Act footnote)
- 19/ Before spending any state education fund for correctional education monies in excess of \$738,900, 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)

**Summary**

The budget increases the Arizona Department of Corrections (ADC)'s General Fund spending by \$153,653,800 in FY 2023 for the following:

- \$116,656,800 for staff salary increases.
- \$70,046,800 for inmate health care.
- \$17,505,300 for private prison contract increases.
- \$7,488,400 for vehicle purchases.
- \$5,445,400 for substance abuse treatment.
- \$2,444,700 for net increased costs associated with year 2 of the phased closure of the Florence prison.
- \$2,000,000 for community treatment program for imprisoned women.
- \$41,913,800 for statewide adjustments.
- \$(7,100) for named claimants.
- \$(600,000) for rent savings.
- \$(15,971,000) for debt services savings.
- \$(41,232,000) for the elimination of one-time funding.
- \$(52,037,300) for pension payoff savings.

**Operating Budget**

The budget includes \$830,507,300 and 9,382 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<b>FY 2023</b>
General Fund	\$818,152,600

Alcohol Abuse Treatment Fund	250,300
Corrections Fund	3,001,000
Inmate Store Proceeds Fund	3,984,200
Penitentiary Land Fund	715,100
Prison Construction and Operations Fund	2,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	1,165,100
State Education Fund for Correctional Education	738,900

FY 2023 adjustments are as follows:

**One-Time Body Scanners**

The budget includes a one-time increase of \$2,642,700 from the Inmate Store Proceeds Fund in FY 2023 to purchase 19 single view and 2 dual view body scanners in order to help improve detection of contraband.

**Retirement Savings**

The budget includes a decrease of \$(52,037,300) from the General Fund in FY 2023 due to lower employer retirement contributions. The FY 2022 budget included a FY 2021 supplemental of \$500,000,000 from the General Fund to PSPRS to reduce unfunded pension liability in the ADC CORP Employer Group. Those savings take effect in FY 2023.

**Debt Payoff Savings**

The budget includes a decrease of \$(15,971,000) from the General Fund in FY 2023 to eliminate debt service payments. The budget includes \$93,500,000 from the General Fund in FY 2022 to the Department of

Administration to pay for the retirement or defeasance of the remaining debt entered into pursuant to Laws 2007, Chapter 257, Section 8 and Laws 2007, Chapter 261, Section 9. *(Please see the Capital Outlay Debt and Lease Purchase Financing section for more information.)*

**Remove One-Time Radio Replacement Funding**

The budget includes a decrease of \$(17,329,500) from the General Fund in FY 2023 for the elimination of one-time funding for radio replacements.

**Remove One-Time Vest Funding**

The budget includes a decrease of \$(3,851,900) from the General Fund in FY 2023 for the elimination of one-time funding for new ballistic and stab-proof vests.

**Remove One-Time Equipment**

The budget includes a decrease of \$(50,000) from the General Fund in FY 2023 for the elimination of one-time equipment for the expansion of the Braille Transcription Program.

**Florence Closure Savings**

The budget includes a decrease of \$(16,516,700) from the General Fund in FY 2023 for state-funded prison operational savings resulting from the second year of the Florence closure plan. *(See the Florence Prison section in Other Issues)*

**Rent Savings**

The budget includes a decrease of \$(600,000) from the General Fund in FY 2023 for rent savings. Beginning in FY 2023, ADC will consolidate its office space and relocate to less square feet at 701 E. Jefferson in downtown Phoenix. This decrease was outlined in the FY 2022 budget's 3-year spending plan.

**Statewide Adjustments**

The budget includes an increase of \$40,986,200 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	41,033,500
Alcohol Abuse Treatment Fund	100
Corrections Fund	100
Inmate Store Proceeds Fund	(31,500)
Penitentiary Land Fund	(13,100)
Prison Construction and Operations Fund	100
State Charitable, Penal and Reformatory Institutions Land Fund	1,400
State Education Fund for Correctional Education	(4,400)

*(Please see the Agency Detail and Allocations section.)*

A new General Appropriation Act footnote requires the department to report actual FY 2022, estimated FY 2023, and requested FY 2024 expenditures as delineated in the prior year when the department submits its FY 2024 budget request. This requirement was previously included in the Criminal Justice Budget Reconciliation Bill.

A new General Appropriation Act footnote also allows the department to use its own staff vacancy savings for private prison staff stipends as long as the amount of the stipend does not exceed the amount given to department employees. The footnote requires the department to submit an expenditure plan to the Joint Legislative Budget Committee prior to the transfer.

**Community Corrections**

The budget includes \$24,564,400 and 184 FTE Positions in FY 2023 for Community Corrections. These amounts consist of:

General Fund	21,858,600
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,300

FY 2023 adjustments are as follows:

**Statewide Adjustments**

The budget includes an increase of \$880,400 in FY 2023 for statewide adjustments. This amount consists of:

General Fund	880,300
Transition Program Fund	100

*Background* – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$24,564,400 in FY 2023 appropriated funds, ADC projects that they will utilize an additional \$5,791,100 in non-appropriated funds for these activities in FY 2023.

As of June 30, 2022, ADC has responsibility for 5,265 offenders overseen by community correctional officers. The majority of offenders are released after serving 85% of their sentence and serve a period under community supervision. A very small number of offenders sentenced prior to January 1, 1994 are released on parole at the discretion of the Board of Executive Clemency.

The monies in this line item pay for:

- **ADC Staffing:** The line item funds the staffing costs for correctional officers that oversee offenders on community supervision. The department also uses

the appropriated monies for contracted drug testing, behavioral needs testing, and other programming.

- **Transition Program:** Offenders that meet statutory considerations and behavioral standards may be released 90 days prior to their community supervision release date and participate in the Transition Program, whose services are provided by a contracted vendor. *(See the Transition Program section in Other Issues.)*
- **Reentry Centers:** If offenders violate the terms of supervision, they may be returned to custody to serve out the remainder of their term. As an alternative, ADC operates the Maricopa and Pima Reentry Centers, which provide beds for inmates and an intensive treatment program. At the Pima facility, ADC also houses homeless offenders that do not have a secure placement.
- **Mental Health Transition Program:** Starting in FY 2022, offenders that have been diagnosed as seriously mentally ill and are eligible for AHCCCS benefits upon release may receive 90-days of mental health transition services. Statute requires ADC to place up to 500 inmates in the program each year.

### Salary Increase

The budget includes an increase of \$17,505,300 from the General Fund in FY 2023 for a 20% salary increase for all private prison staff, effective July 9, 2022.

*Background* – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,268 beds after the increase in new private prison beds. Administrative expenses related to monitoring private prison contracts are included in the department’s operating budget.

ADC will usually own the facilities after a specified amount of time (typically 20 years) because the per diem rate includes a portion of the facilities’ purchase cost. Two private prison contracts (Marana and Kingman) are solely for management services as the state owns those facilities. The state will take ownership of 2 additional private prisons (Phoenix West and Florence West) in FY 2023. Private prison contractors will continue to operate these facilities.

A new General Appropriation Act footnote allows private prison contractors to use vacancy savings for overtime costs without incurring a penalty.

Table 1

#### FY 2021 Community Corrections Program Expenditures

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$14,155,200	\$3,691,500	\$17,846,700
Transition	495,000	0	495,000
Maricopa Reentry	1,099,800	425,400	1,525,200
Pima Reentry	2,444,500	0	2,444,500
Other/Overhead	<u>717,100</u>	<u>0</u>	<u>717,100</u>
<b>Total</b>	<b>\$18,911,600</b>	<b>\$4,116,900</b>	<b>\$23,028,500</b>

#### Inmate Health Care Contracted Services

The budget includes \$269,681,300 in FY 2023 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	258,181,300
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

#### Private Prison Per Diem

The budget includes \$237,554,100 in FY 2023 for Private Prison Per Diem. This amount consists of:

General Fund	208,180,100
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

FY 2023 adjustments are as follows:

#### Florence Replacement Beds

The budget includes an increase of \$22,500,000 from the General Fund in FY 2023 for the second-year costs of new private prison beds to replace beds removed from service in the partial Florence prison closure. *(See the Florence Prison section.)*

FY 2023 adjustments are as follows:

#### Florence Closure Savings

The budget includes a decrease of \$(3,538,600) from the General Fund in FY 2023 for assumed contract savings from a reduced state-prison inmate population resulting from the second year of the partial closure of the Florence prison. *(See the Florence Prison section.)*

#### Contract Increase

The budget includes an increase of \$70,046,800 from the General Fund in FY 2023 for the cost of the new inmate healthcare contract.

*Background* – The state contracts with a private company to provide health care to inmates in state-operated prisons. In May 2022 ADC awarded a new inmate health care contract at an annual cost of \$279,700,000. The

contract will take effect in October 2022 and is for 5 years with a renewal option for an additional 5 years.

In addition to appropriated funding, ADC receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2021, the department received \$14,371,000 in Medicaid reimbursement.

A General Appropriation Act footnote continues to require review by the Joint Legislative Budget Committee of any changes to the per diem.

A General Appropriation Act footnote also requires ADC to report semi-annually on the status of healthcare performance measures.

**Medical Staffing Augmentation**

The budget includes no funding from the General Fund in FY 2023 for Medical Staffing Augmentation. FY 2023 adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(15,000,000) from the General Fund in FY 2023 for the elimination of one-time funding.

This line item provides ADC with flexible funding to address performance measures related to the ongoing inmate health care litigation. A FY 2022 General Appropriation Act footnote exempted the funding from lapsing. The department estimates total spending in FY 2022 will be \$6.8 million.

**Substance Abuse Treatment**

The budget includes \$6,100,700 and 3 FTE Positions in FY 2023 for Substance Abuse Treatment. These amounts consist of:

General Fund	5,445,400
Corrections Fund	655,300

FY 2023 adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(5,000,600) from the General Fund in FY 2023 for the elimination of one-time funding.

**Ongoing Substance Abuse Treatment Funding**

The budget includes an increase of \$5,000,000 from the General Fund in FY 2023 to contract with a vendor to provide additional substance abuse treatment capacity.

**Therapeutic Community Unit**

The budget includes an increase of \$989,100 and 2 FTE Positions in FY 2023 for a 6-month intensive treatment program for inmates evaluated to have a high risk of recidivism. These amounts consist of:

General Fund	333,800
Corrections Fund	655,300

Of the amount appropriated, the \$655,300 from the Corrections Fund is for one-time costs associated with equipment and other startup costs.

**Substance Abuse Treatment Coordinator**

The budget includes an increase of \$111,600 and 1 FTE Position from the General Fund in FY 2023 for a substance abuse treatment coordinator.

This line item provides ADC with specified funding for substance abuse treatment. This includes funding for ADC programs and to contract with private vendors to provide treatment.

**Community Treatment Program for Imprisoned Women**

The budget includes \$2,000,000 from the General Fund in FY 2023 for the Community Treatment Program for Imprisoned Women. FY 2023 adjustments are as follows:

**One-Time Funding**

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2023 to establish the program. The budget exempts this funding from lapsing.

This line item provides funding for ADC to contract with a private vendor to house inmates that have given birth in prison, and to provide specialized treatment and services.

**One-Time Vehicle Purchase**

The budget includes \$9,048,400 in FY 2023 for One-Time Vehicle Purchase. This amount consists of:

General Fund	7,488,400
Inmate Store Proceeds Fund	1,560,000

FY 2023 adjustments are as follows:

**One-Time Funding**

The budget includes an increase of \$9,048,400 in FY 2023 for vehicle purchases. This amount consists of:

General Fund	7,488,400
Inmate Store Proceeds Fund	1,560,000

This amount is expected to purchase 50 additional vehicles for community supervision officers and replace roughly 10% of ADC's existing fleet of vehicles. ADC's current fleet includes 1,693 vehicles and 174 pieces of equipment (such as tractors).

**FY 2023 Salary Increase**

The budget includes \$116,656,800 from the General Fund in FY 2023 for an FY 2023 Salary Increase. FY 2023 adjustments are as follows:

**Salary Increase**

The budget includes an increase of \$116,656,800 from the General in FY 2023 for a statewide salary increase. This amount funds a 20% staff salary increase. The budget requires all agencies receiving salary increases to transfer the monies in this line item to the relevant line items as part of the FY 2024 budget request submittals. These submittals will include the reallocation for both FY 2023 and FY 2024. *(Please see the Agency Detail and Allocations section.)*

**Named Claimants**

The budget includes no funding in FY 2023 for Named Claimants. FY 2023 adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(16,002.37) in FY 2023 for the elimination of one-time funding for prior year unpaid claims. This amount consists of:

General Fund	(7,071.35)
Inmate Store Proceeds Fund	(6,780.09)
State Charitable, Penal and Reformatory Institutions Land Fund	(2,150.93)

*(Please see the Named Claimants section in ADOA Other Issues.)*

**Other Issues**

This section includes information on the following topics:

- FY 2022 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Transition Program
- Bed Capacity Issues
  - Inmate Growth Rate
  - Bed Capacity
  - Bed Surplus/Shortfall

- Auditor General Report
- Florence Prison

**FY 2022 Supplemental**

The FY 2023 budget includes a FY 2022 supplemental appropriation of \$16,002.37 for a one-time named claimants appropriation. This amount consists of:

General Fund	7,071.35
Inmate Store Proceeds Fund	6,780.09
State Charitable, Penal and Reformatory Institutions Land Fund	2,150.93

*(Please see the Named Claimants line item for further details.)*

**Statutory Changes**

The Criminal Justice Budget Reconciliation Bill makes the following statutory changes:

- As permanent law, requires ADC to establish the Community Treatment Program for Imprisoned Women by contracting with a non-profit organization to provide a facility for imprisoned women that have given birth while incarcerated. The program must provide additional treatment and services including substance abuse treatment, parenting skills, education and employments skills, and workforce training. To be eligible for the program, imprisoned women must give birth in prison and be scheduled for release within 5 years. Subject to available monies, the department is required to place up to 20 women in the program in the first year, and up to 50 women in the program beginning in year 2.

**Long-Term Budget Impacts**

As part of the FY 2023 budget's 3-year spending plan, ADC's General Fund costs are projected to decrease by \$(261,600) in FY 2024 below FY 2023.

These amounts are based on:

- A decrease of \$(7,488,400) in FY 2024 below FY 2023 to remove one-time funding for vehicle purchase.
- An increase of \$7,226,800 in FY 2024 above FY 2023 for increased costs of the Florence closure plan. *(See the Florence Prison section.)*

## Transition Program

The Transition Program allows inmates meeting the conditions outlined in statute and by the department the opportunity to be released from prison 90 days prior to their release date. Transition Program participants are generally lower risk, sentenced for non-violent crimes, and classified to lower levels than the overall ADC population. Participants reside in homes or halfway houses across the state and receive substance abuse counseling and case management services.

A.R.S. § 31-254 requires that 5% of non-Driving Under the Influence inmate wages be deposited to the Transition Program Fund to operate the program. Additionally, A.R.S. § 31-285 requires that \$17 per bed day saved from an earlier release be transferred to the Transition Program Fund to pay for the vendor costs of the program. Statute does not specify from which fund. ADC has transferred money from the State DOC Revolving Fund to meet this requirement.

In FY 2021, the program saved a total of 81,082 bed days. In that same year, the Transition Program Fund received revenue of about \$1,990,800 from all sources. Of this amount, \$1,378,400 came from the statutory \$17 transfer and the remainder came from DUI inmate wages. According to ADC, the vendor costs to run the program in FY 2021 were on average \$6 per inmate per day, or \$495,000 total.

## Bed Capacity Issues

### Inmate Growth Rate

On June 30, 2022, the total inmate population was 33,371. This was a decrease of (2,583) inmates since the June 30, 2021 population of 35,954. *Table 2* shows the year-end populations from FY 2017 to FY 2022.

<u>Year</u>	<u>Population</u>
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371

The decline in the ADC population in FY 2020 through FY 2022 may be related to the pandemic.

## Bed Capacity

In measuring ADC's ability to house its inmate population, there are 2 methods of defining bed capacity:

- "Rated" beds are permanent and were originally designed for housing prisoners. This amount was 39,188 public and private beds on June 30, 2022, an increase of 216 beds since June 30, 2021.
- Operating Capacity represents "rated" beds plus temporary beds. The latter may be located in areas not originally intended for housing prisoners or double-bunked beds in areas intended for single bed cells. During FY 2022, the department decreased its total operating capacity by (734) beds, from 45,207 to 44,473.

In addition, special use beds are employed for investigative detention, disciplinary isolation, maximum behavior control, mental health observation, or medical inpatient care. Due to their short-term usage, these beds are not counted as part of ADC's operational capacity. The number of special use beds in public and private prisons was 1,898 as of June 30, 2022, an increase of 61 from June 30, 2021.

## Bed Surplus/Shortfall

At the end of FY 2022, the department had a total rated bed surplus of 5,817. After adjusting for the 5,285 temporary beds in the overall ADC system, the rated bed surplus became a 11,102-operating bed surplus. Because beds are divided by gender and security level, this figure may not fully reflect system capacity. (Please see *Table 5 for more information.*)

## Auditor General Report

In October 2021 the Auditor General published 2 ADC audits: a performance audit and sunset review and a review of specific self-improvement or treatment programs provided by the department.

### Performance Audit and Sunset Review

The report evaluated whether the department met its statutory requirements. In terms of budget-related issues, the report found that in some instances the department did not release inmates to the Transition Program as required by statute, and as a result some inmates were in custody longer than required. The report also found that the department had not yet programmed all eligibility requirements for the Transition Program into the inmate management system, which likely led to the error.



**Review of Specific Self-Improvement or Treatment Programs**

The report reviewed 4 specific programs offered by the department: cognitive restructuring, moderate substance abuse (SA) treatment, intensive SA treatment, and driving-under-the-influence (DUI) treatment. The report found that the department was not able to provide treatment to all inmates who needed it. *Table 3* details the participation and completion rates for inmates released by the department between January 2017 and November 2019.

	<u>Need Met</u>	<u>Completion Rate</u>
Cognitive Restructuring	43%	78%
Moderate or Intensive SA Treatment	17%	63%
DUI Treatment	79%	87%

The report identified staffing limitations as a contributor to the lack of treatment capacity. The report also noted that transfers to other prisons while enrolled in a program contributed to lower completion rates and said the department was taking steps to reduce those noncompletions.

The Auditor General's key recommendations were that ADC:

- Continue to increase capacity in these 4 programs by requesting additional resources, particularly for substance abuse treatment.
- Continue efforts to reduce noncompletions.
- Use enrollment data to research causes for noncompletions and utilize data to change enrollment process.

**Florence Prison**

The FY 2022 budget included a net increase of \$18,650,200 from the General Fund in FY 2022 for the first-year costs of the Executive's plan to close the Florence prison and partially replace the Florence beds with new private prison beds. The 3-year spending plan included an additional net increase of \$2,444,700 from the General Fund in FY 2023 for the second-year costs and \$7,226,800 in FY 2024.

The Executive plan includes several components:

- Florence Closure Savings: This includes savings from reduced overtime, healthcare costs, food, and other costs.
- Remaining Florence Unit Costs: The Executive plans to keep the Globe and Florence South units at least partially open through FY 2024. The Globe unit is a satellite unit with 250 beds for minimum security inmates. The South unit has operating capacity for 965 medium security inmates and currently houses sex offenders. After accounting for these units, the Executive's plan would eliminate (2,766) net beds.
- Private Prison Bed Costs: The Executive's plan would replace these beds with new private prison beds. The majority of these beds would come from a new private prison contract for 2,412 beds with an assumed per diem of \$85. The new private beds would be phased in over several years. ADC's budget caps some private prison contracts at 97% of capacity. The Executive plan restores this funding, which would add 294 beds. In total, the Executive plans to add 2,706 beds.

The Executive ultimately awarded the contract at a per diem of \$85 as planned. However, the contract included 2,706 beds rather than 2,412. As a result, the available funding may not be sufficient to fully utilize these new beds.

See *Table 4* for the full 3-year funding plan.

Table 4

## Florence Prison Closure 3-Year Budget Plan

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
<u>Florence Closure Savings</u>			
Overtime	\$(9,105,700)	\$(18,211,300)	\$(18,211,300)
Healthcare Population Reduction	(3,538,600)	(7,077,200)	(9,038,600)
Food	(2,284,100)	(4,568,300)	(4,568,300)
Operating Costs	(4,500,000)	(9,000,000)	(9,000,000)
Attrition Savings	<u>(626,800)</u>	<u>(1,253,700)</u>	<u>(1,880,500)</u>
<i>Florence Closure Savings Subtotal</i>	<i>\$(20,055,200)</i>	<i>\$(40,110,500)</i>	<i>\$(42,698,700)</i>
<u>Florence Open Unit Costs</u>			
Keep Globe Unit Open	\$3,100,000	\$3,100,000	\$3,100,000
Keep Florence South Unit Open	<u>10,170,000</u>	<u>10,170,000</u>	<u>5,085,000</u>
<i>Florence Open Unit Costs Subtotal</i>	<i>\$13,270,000</i>	<i>\$13,270,000</i>	<i>\$8,185,000</i>
Total Savings	\$(6,785,200)	\$(26,840,500)	\$(34,513,700)
<u>Private Prison Bed Costs</u>			
New Contract Beds (2,412*365*85) <sup>1/2/</sup>	\$22,400,000	\$44,900,000	\$59,800,000
Kingman Funding Restoration (210 beds)	1,410,400	1,410,400	1,410,400
Red Rock Funding Restoration (60 beds)	1,493,600	1,493,600	1,493,600
Red Rock Additional Capacity (24 beds)	<u>131,400</u>	<u>131,400</u>	<u>131,400</u>
<i>Private Prison Bed Costs</i>	<i>\$25,435,400</i>	<i>\$47,935,400</i>	<i>\$62,835,400</i>
<b>Net Project Cost</b>	<b>\$18,650,200</b>	<b>\$21,094,900</b>	<b>\$28,321,700</b>
<b>Costs above prior year</b>	<b>-</b>	<b>\$2,444,700</b>	<b>\$7,226,800</b>

1/ The full cost of the new contract beds will be phased in over at least 4 years. Based on the assumed \$85 per diem, the total cost once fully phased in would be \$74,832,300. The actual cost will depend on the results of the procurement process.

2/ The Executive ultimately awarded the contract at a per diem of \$85 as planned. However, the contract was awarded for \$2,706 beds rather than the 2,412 included in the Executive's plan.

Table 5

Fiscal Year-End Operating Capacity									
State	FY 2021 Actual			FY 2022 Actual			FY 2023 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	343	2,248	1,905	140	2,045	1,905	140	2,045
Eyman	3,984	1,793	5,777	3,984	1,833	5,817	3,984	1,833	5,817
Florence	3,284	697	3,981	794	421	1,215	794	421	1,215
Perryville	4,214	141	4,355	4,214	141	4,355	4,214	141	4,355
Phoenix	552	168	720	552	202	754	552	202	754
Lewis	5,104	870	5,974	5,104	870	5,974	5,104	870	5,974
Safford	1,453	416	1,869	1,453	160	1,613	1,453	160	1,613
Tucson	4,600	509	5,109	4,600	516	5,116	4,600	516	5,116
Winslow	1,626	216	1,842	1,626	0	1,626	1,626	0	1,626
Yuma	4,350	420	4,770	4,350	340	4,690	4,350	340	4,690
<b>Subtotal</b>	<b>31,072</b>	<b>5,573</b>	<b>36,645</b>	<b>28,582</b>	<b>4,623</b>	<b>33,205</b>	<b>28,582</b>	<b>4,623</b>	<b>33,205</b>
<b>Private (Per Diem)</b>									
Kingman (\$48.09)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$57.37)	400	100	500	400	100	500	400	100	500
Marana (\$53.98)	500	-	500	500	-	500	500	-	500
Florence West (\$52.82 - 64.01)	600	150	750	600	150	750	600	150	750
Florence II (\$76.22)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$75.07)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
La Palma (\$85.00)	-	-	-	2,706	-	2,706	2,706	-	2,706
<b>Subtotal <sup>1/</sup></b>	<b>7,900</b>	<b>662</b>	<b>8,562</b>	<b>10,606</b>	<b>662</b>	<b>11,268</b>	<b>10,606</b>	<b>662</b>	<b>11,268</b>
<b>Total - All beds <sup>2/</sup></b>	<b>38,972</b>	<b>6,235</b>	<b>45,207</b>	<b>39,188</b>	<b>6,058</b>	<b>44,473</b>	<b>39,188</b>	<b>5,285</b>	<b>44,473</b>
<b>State Prison Population</b>									
Female	3,387		3,387	3,063		3,063	3,200		3,200
Male	25,372		25,372	22,331		22,331	22,500		22,500
Subtotal	28,759		38,759	25,394		25,394	25,700		25,700
<b>Private Prison Population</b>									
Male	7,195		7,195	7,977		7,977	9,300		9,300
<b>Total Population <sup>3/4/</sup></b>	<b>35,954</b>		<b>35,954</b>	<b>33,371</b>		<b>33,371</b>	<b>35,000</b>		<b>35,000</b>
<b>Bed Surplus/(Shortfall)</b>									
Male	3,018		9,253	5,817		11,102	4,188		9,473
Female	2,080		8,174	4,555		8,213	3,063		8,207
	938		1,079	1,262		1,353	1,125		1,266
<b>Bed Surplus/(Shortfall) (% of Beds)</b>	<b>8%</b>		<b>20%</b>	<b>15%</b>		<b>25%</b>	<b>11%</b>		<b>21%</b>

1/ The base rate for the private (per diem) bed rate for each facility is listed. ADC may be charged a lower rate due to amendments or contract provisions that grant lower rates for temporary beds or beds used over an occupancy threshold. Marana and Kingman are management only.  
 2/ Excludes special use beds totaling 1,898 as of June 30, 2022.  
 3/ The chart excludes prisoners awaiting transfer from county jail.  
 4/ The chart reflects the inmate population under an assumption of a 5% population growth in FY 2023 over FY 2022.