

State Department of Corrections

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	10,015.2	10,015.2	10,118.2
Correctional Officer Personal Services	275,488,900	313,933,900	317,703,900
Health Care Personal Services	33,936,100	39,751,300	39,751,300
All Other Personal Services	54,423,400	62,458,500	62,458,500
Personal Services Subtotal	363,848,400	416,143,700	419,913,700
Employee Related Expenditures	169,963,800	195,779,400	202,053,600
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	28,293,800	16,862,400	15,022,300
Health Care All Other Operating Expenditures			
Professional and Outside Services	9,817,200	12,441,300	12,441,300
Travel - In State	16,700	21,200	21,200
Other Operating Expenditures	49,700,000	64,980,300	64,980,300
Equipment	447,300	566,800	566,800
Health Care Operating Subtotal	59,981,200	78,009,600	78,009,600
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	4,377,300	5,900,100	5,900,100
Travel - In State	118,100	137,800	137,800
Travel - Out of State	57,000	66,600	66,600
Food	43,621,600	47,500,000	47,500,000
Other Operating Expenditures	74,153,900	99,104,600	99,045,800
Equipment	10,543,100	5,900,000	6,025,800
Non-Health Care Operating Subtotal	132,871,000	158,609,100	158,676,100
OPERATING SUBTOTAL	754,958,200	865,404,200	873,675,300
SPECIAL LINE ITEMS			
New State Prison Beds	55,381,900	0	0
Private Prison Per Diem	112,356,100	127,636,600	127,636,600
Provisional Beds	8,359,600	0	0
Leap Year Costs	0	800,100	0
Narrowband Radio Conversion	0	5,750,000	0
AGENCY TOTAL	931,055,800	999,590,900 ^{1/}	1,001,311,900 ^{2/3/4/5/} _{6/7/}
FUND SOURCES			
General Fund	899,401,700	948,939,200	956,404,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	0	554,400	554,400
Corrections Fund	23,010,700	27,517,600	27,517,600
Penitentiary Land Fund	0	1,979,200	979,200 ^{8/}
Prison Construction and Operations Fund	7,499,400	13,249,400	11,499,400
State Charitable, Penal and Reformatory Institutions Land Fund	0	3,360,000	360,000 ^{9/}
State Education Fund for Correctional Education	409,000	506,100	512,100 ^{10/}
Transition Program Fund	180,000	930,000	3,485,000
Transition Services Fund	555,000	2,555,000	0
SUBTOTAL - Other Appropriated Funds	31,654,100	50,651,700	44,907,700
SUBTOTAL - Appropriated Funds	931,055,800	999,590,900	1,001,311,900
Other Non-Appropriated Funds	38,062,800	47,314,800	47,237,200
Federal Funds	12,011,100	17,775,200	10,710,800
TOTAL - ALL SOURCES	981,129,700	1,064,680,900	1,059,259,900

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 \$873,679,300 and 10,118.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	<u>FY 2013</u>
General Fund	\$857,268,400
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	512,100
Transition Program Fund	3,485,000

These amounts fund the following adjustments:

Additional Correctional Officers

The budget includes an increase of \$3,766,100 and 103 FTE Positions from the General Fund in FY 2013 for additional Correctional Officers. In addition to the \$3,766,100 in new funding, the agency will also redirect \$2,233,900 of monies from the overtime component of the agency's budget. The combined \$6,000,000 in funding will be sufficient to hire 103 correctional officers. The officers will be used to fill security posts inside prisons and to provide coverage when correctional officers need to leave their regular duty posts to provide transportation for inmates moved outside prisons for medical care. The

approved amount includes \$125,800 in one-time equipment funding.

Consolidate Transition Funds

The budget includes a shift of \$2,555,000 from the Transition Services Fund to the Transition Program Fund in FY 2013 to reflect the merging of the Transition Services Fund into the Transition Program Fund. Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), eliminates the Transition Services Fund and transfers its remaining balances into the Transition Program Fund. Both the eliminated Transition Services Fund and the remaining Transition Program Fund provide transition services to nonviolent offenders.

The FY 2013 Criminal Justice BRB also permits the department to use the Transition Program Fund and the non-appropriated Inmate Store Proceeds Fund for department operating expenses in FY 2013.

Statewide Adjustments

The budget includes an increase of \$4,509,000 in FY 2013 for statewide adjustments. This amount consists of:

General Fund	4,503,000
State Education Fund for Correctional Education	6,000

(Please see the Agency Detail and Allocations section.)

- 1/ 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.)*
- 2/ 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)
- 3/ 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)
- 4/ 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)
- 5/ The appropriation provides for 38,706 ongoing funded beds. The State Department of Corrections shall provide a report on bed capacity to the Joint Legislative Budget Committee for its review by August 1 annually. The report shall reflect the bed capacity for each security classification at each state-run and private institution, divided by funded, rated and total beds, for June 30 of the previous fiscal year and June 30 of the current fiscal year, and 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. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 7/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. *(Please see the General Provisions section.)*
- 8/ 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)
- 9/ 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)
- 10/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$512,100, 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)

Private Prison Per Diem

The budget includes \$127,636,600 in FY 2013 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 are unchanged from FY 2012.

On December 22, 2011, the department, citing flat caseload growth in FY 2010 and FY 2011, announced the withdrawal of an RFP soliciting bids for 5,000 private prison beds as authorized by Laws 2009, 3rd Special Session, Chapter 6. The FY 2013 Criminal Justice BRB repealed that authorization and instead required the department to award a contract for up to 500 male, medium-security private beds to open on January 1, 2014 and up to 500 more male, medium-security beds to open on January 1, 2015. (*Please see "Bed Capacity" below for further details on the department's bed plan.*)

Background – Monies in this line item are paid to private prison contractors for housing Arizona inmates in 6,458 beds currently under contract. Private prison beds are permanent beds the department typically owns on average after a period of 20 years. ADC will own the facilities after a specified amount of time because the per diem rate includes a portion of the facilities' purchasing cost. Administrative expenses related to private prison contracts are included in the department's operating budget.

Leap Year Costs

The budget includes no funding in FY 2013 for leap year costs. This amount funds the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(800,100) from the General Fund in FY 2013 to eliminate one-time FY 2012 costs. Because FY 2012 includes 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 increased by 1 day in FY 2012 and will decrease again in FY 2013.

Narrowband Radio Conversion

The budget includes no funding in FY 2013 for Narrowband Radio Conversion costs. This amount funds the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(5,750,000) in FY 2013 to eliminate one-time FY 2012 costs. 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)

One-time monies were used in FY 2012 to convert department radios and other equipment to narrowband frequency by January 2013 as mandated by the Federal Communications Commission.

Additional Legislation

Sentences of Less Than a Year and County Jails

The FY 2013 Criminal Justice BRB repealed the provisions of the FY 2012 Criminal Justice BRB (Laws 2011, Chapter 33) which required 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 or be housed at ADC with their costs reimbursed by the county.

Budget Structure

The FY 2013 Criminal Justice BRB requires the department to report FY 2012 actual expenditures, FY 2013 estimated expenditures, and FY 2014 requested expenditure amounts for each line item as delineated in the prior year when the department submits its FY 2014 budget request pursuant to A.R.S. § 35-113.

Quality and Cost Review of Private Prison Contracts

The FY 2013 Criminal Justice BRB eliminates the requirement that the department complete a cost review comparison of private prison contracts with similar state-run facilities every 5 years and a quality comparison every 2 years.

Department of Corrections Building Renewal Fund

The FY 2013 General Appropriation Act transfers \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This transfer ensures a sufficient balance in the Department of Corrections Building Renewal Fund to fund its FY 2013 capital appropriation.

In addition, the FY 2013 Criminal Justice BRB transfers administration of this fund from the Director of the Arizona Department of Administration (ADOA) to the ADC Director. The FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295) makes the conforming change in switching the appropriation from ADOA to ADC. (*Please see the Capital Budget - ADOA narrative for more information.*)

Other Issues

Bed Capacity

The FY 2013 budget provides direction to the department regarding new bed capacity.

The department has 38,706 “funded” beds in FY 2013. This figure is based upon a calculation JLBC Staff has used for many years to evaluate the department’s need for additional beds. There are 2 other ways of defining bed capacity:

- “Rated” beds: beds originally designed for housing prisoners. This amount is 37,109 in public and private prisons as of April 30, 2012.
- All beds: “Rated” beds plus temporary beds established, for example, in areas not originally intended for housing prisoners or double-bunked beds in areas intended for single-bunked beds. They also include special use beds, which are used for disciplinary isolation, investigative detention, maximum behavior control, mental health observation, or medical inpatient care. The number of non-rated beds in public and private prisons is 6,456 as of April 30, 2012.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification), which further complicates the count of bed surpluses and shortfalls. As a result, the FY 2013 budget includes a footnote requiring the department to provide a report to JLBC for its review regarding bed counts and reasons for changes in the number or classification of beds. (See the Footnotes section.)

Inmate Growth Rate

There is uncertainty regarding inmate growth. The inmate population has been essentially flat or shown a slight decline over the past 36 months. That compares with monthly inmate growth rates that have averaged 106 over the past 10 years and have approached 200 inmates per month. Given the fluctuation in population, the JLBC Staff projects that the inmate population will remain flat at the April 30, 2012 level of 39,986 through the end of FY 2013.

FY 2013 Bed Surplus/Shortfall

In FY 2011, the ADC bed shortfall compared to the funded bed level was (1,485) as shown in Table 1. ADC addresses these shortfalls by placing prisoners in temporary beds as discussed above. This funded bed shortfall has reached levels of more than (3,700) in the past.

Table 1

Fiscal Year-End “Funded” Bed Count

	FY 2011 Actual	FY 2012 Year End	FY 2013 Year End
State:			
Douglas	2,270	2,270	2,270
Eyman	4,210	4,210	4,210
Florence	3,372	3,372	3,372
Perryville	4,510	4,510	4,510
Phoenix	822	822	822
Lewis	4,270	4,270	4,270
Safford	1,548	1,548	1,548
Tucson	4,890	4,890	4,890
Winslow	1,666	1,666	1,666
Yuma	4,690	4,690	4,690
Subtotal ^{1/2/}	32,248	32,248	32,248
Private (Per Diem):			
Kingman (\$62.16)	3,400	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 ^{3/}	6,458	6,458	6,458
Total – All Beds	38,706	38,706	38,706
Population ^{4/}	40,191	39,986	39,986
Bed Surplus / (Shortfall) (June)	(1,485)	(1,280)	(1,280)
Bed Surplus / (Shortfall) (% of Beds)	(4.6)%	(4.0)%	(4.0)%

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

^{2/} Another 500 maximum security beds are scheduled to open in FY 2015.

^{3/} Another 500 medium-security beds are scheduled to open in both FY 2014 and FY 2015 (for a total of 1,000).

^{4/} Assumes no population growth in the last 2 months of FY 2012 and all of FY 2013.

Assuming the population remains flat through the end of FY 2013, the ADC bed shortfall is expected to be (1,280). In addition, bed shortfall estimates may vary by level of security (e.g. minimum, medium, or maximum). The department's largest shortfalls are in male medium- and maximum-security beds.

Additional Future Beds

The FY 2013 Capital Outlay Bill appropriates \$20,000,000 from the General Fund in FY 2013 and \$30,000,000 from the General Fund in FY 2014 to construct 500 male maximum-security beds. These beds will be operated by the department and are expected to open by FY 2015. *(Please see the Capital Section.)*

The FY 2013 Criminal Justice BRB also repeals the requirement in the FY 2010 Criminal Justice BRB (Laws 2009, 3rd Special Session, Chapter 6) that the department issue and award a Request for Proposals (RFP) for 5,000 private beds. That requirement is replaced with a mandate that the department award private prison contracts for up to 500 male medium-security beds to open on January 1, 2014 and up to 500 more male medium-security beds to open on January 1, 2015. These contracts would be awarded by September 1, 2012 from the 2000-bed RFP issued by the department in February 2012. The Criminal Justice BRB prohibits the department from awarding the remainder of the 2,000 beds without legislative authorization.

Health Care Contract

Laws 2011, Chapter 278 required the department to issue a Request for Information regarding privatization of its correctional health care services and then, within 90 days of JLBC review of that information, issue an RFP for which the contract shall be awarded to the best qualified bidder. The department issued the RFP on October 21, 2011, and on April 2, 2012, awarded a contract to Wexford Health Sources, Inc. to privatize the department's health care services. Wexford bid a total of \$116.3 million to provide services under the terms of the contract, which will be fully operational by June 30, 2012.

Funding to reimburse Wexford will be redirected from Health Care Personal Services, Employee Related Expenditures, and Health Care All Other Operating Expenditures as ADC will only provide supervisory and administrative health care functions. The department has flexibility in its budget structure to shift these payments, but the agency's FY 2014 budget will need to be realigned to reflect the new budgetary arrangement.

Attorney General Charge

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General prorata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide

allocation of that department's expenses. This prorata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the prorata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The prorata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. The Department of Corrections' share of this Non-General Fund charge will be \$2,000. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.