

## State Department of Corrections

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	10,118.2	9,384.0	9,534.0
Correctional Officer Personal Services	306,729,700	318,105,700	322,415,200
Health Care Personal Services	2,493,500	2,457,400	2,457,400
All Other Personal Services	60,300,100	64,694,900	65,187,700
<b>Personal Services Subtotal</b>	<b>369,523,300</b>	<b>385,258,000</b>	<b>390,060,300</b>
<b>Employee Related Expenditures</b>	<b>173,968,700</b>	<b>194,654,400</b>	<b>200,685,100</b>
<b>Personal Services and Employee Related Expenditures for Overtime/Compensatory Time</b>	<b>23,772,800</b>	<b>15,261,600</b>	<b>15,501,300</b>
<b>Health Care All Other Operating Expenditures</b>			
Professional and Outside Services	1,564,500	2,750,000	2,750,000
Travel - In State	16,200	25,000	25,000
Travel - Out of State	10,800	15,000	15,000
Other Operating Expenditures	1,005,700	835,200	835,200
Equipment	920,000	15,000	15,000
<b>Health Care Operating Subtotal</b>	<b>3,517,200</b>	<b>3,640,200</b>	<b>3,640,200</b>
<b>Non-Health Care All Other Operating Expenditures</b>			
Professional and Outside Services	6,658,900	6,037,400	6,102,800
Travel - In State	148,700	221,400	224,300
Travel - Out of State	53,200	119,100	119,100
Food	41,667,300	40,944,600	40,977,800
Other Operating Expenditures	108,954,700	109,208,100	109,913,100
Equipment	12,373,200	3,655,700	4,937,300
<b>Non-Health Care Operating Subtotal</b>	<b>169,856,000</b>	<b>160,186,300</b>	<b>162,274,400</b>
<b>OPERATING SUBTOTAL</b>	<b>740,638,000</b>	<b>759,000,500</b>	<b>772,161,300</b>
<b>SPECIAL LINE ITEMS</b>			
Private Prison Per Diem	126,978,700	132,380,300	144,321,300
Inmate Health Care Contracted Services	118,998,500	125,274,900	125,274,900
<b>AGENCY TOTAL</b>	<b>986,615,200</b>	<b>1,016,655,700</b>	<b>1,041,757,500</b> <sup>1/5/</sup>
<b>FUND SOURCES</b>			
General Fund	946,358,800	971,743,900	996,845,600
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	363,000	554,400	554,400
Corrections Fund	26,884,000	27,517,600	27,517,600
Penitentiary Land Fund	979,200	979,200	979,200 <sup>6/</sup>
Prison Construction and Operations Fund	8,499,600	12,499,400	13,684,400
State Charitable, Penal and Reformatory Institutions Land Fund	173,500	360,000	360,000 <sup>7/</sup>
State Education Fund for Correctional Education	451,800	516,200	516,300 <sup>8/</sup>
Transition Program Fund	2,905,300	2,485,000	1,300,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>40,256,400</b>	<b>44,911,800</b>	<b>44,911,900</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>986,615,200</b>	<b>1,016,655,700</b>	<b>1,041,757,500</b>
Other Non-Appropriated Funds	43,614,300	48,648,200	48,648,200
Federal Funds	7,645,300	5,343,200	4,981,400
<b>TOTAL - ALL SOURCES</b>	<b>1,037,874,800</b>	<b>1,070,647,100</b>	<b>1,095,387,100</b>

**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 \$772,161,300 and 9,534 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<u>FY 2015</u>
General Fund	\$762,745,600
Alcohol Abuse Treatment Fund	554,400
Corrections Fund	3,000,600
Prison Construction and Operations Fund	3,684,400
State Charitable, Penal and Reformatory Institutions Land Fund	360,000
State Education Fund for Correctional Education	516,300
Transition Program Fund	1,300,000

These amounts fund the following adjustments:

**500 Maximum Security Beds**

The budget includes an increase of \$9,680,700 and 150 FTE Positions from the General Fund in FY 2015 to fund staffing and start-up costs for the activation of the 500 maximum-security prison beds. The net FY 2016 annualization cost of these beds is projected to be \$343,900.

The FY 2013 Capital Outlay Bill (Laws 2012, Chapter 295) appropriated \$20,000,000 from the General Fund in FY 2013 and \$30,000,000 from the General Fund in FY 2014 to the Arizona Department of Administration (ADOA) to construct 500 male maximum-security beds.

The Lewis Rast Unit has been selected as the site for the beds. These beds will be operated by the Department of Corrections. The Joint Committee on Capital Review (JCCR) favorably reviewed the ADOA plan for construction of the 500 beds at its June 11, 2013 meeting. The Department of Corrections currently expects to begin loading inmates in early December 2014.

**CORP Retirement**

The budget includes an increase of \$3,546,600 from the General Fund in FY 2015 for a Correction Officer Retirement Plan (CORP) employer contribution rate increase. On July 1, 2014, the employer contribution rate for CORP will increase from 13.45% to 14.47%.

**Operating Budget Shift**

The budget includes an increase of \$1,185,000 from the Prison Construction and Operations Fund and a decrease of \$(1,185,000) from the Transition Program Fund in FY 2015 to align the appropriation from the Transition Program Fund to its revenues.

**Statewide Adjustments**

The budget includes a decrease of \$(66,500) in FY 2015 for statewide adjustments. This amount consists of:

General Fund	(66,600)
State Education Fund for Correctional Education	100

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

- 1/ The department may spend a portion of its total appropriation on capital projects in FY 2015. Before the expenditure, the department shall submit the scope, purpose, and estimated cost of the projects to the Joint Committee on Capital Review for its review pursuant to A.R.S. § 41-1252. (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/ The State Department of Corrections shall forward a monthly report comparing department expenditures for the month and year-to-date as compared to prior year expenditures 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 on or before the 30th of the following month. The report must 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. (General Appropriation Act footnote)
- 4/ The State Department of Corrections shall provide a report on bed capacity to the Joint Legislative Budget Committee for its review on or before August 1, 2014. The report must 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 must include bed capacity data for June 30 of the previous fiscal year, June 30 of the current fiscal year and June 30 of the subsequent fiscal year, 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. If the department develops a plan subsequent to its August 1 report to close state-operated prison rated beds or cancel or not renew 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 implementing these changes. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as a Operating Lump Sum with Special Line Items by Agency.
- 6/ One hundred percent of land earnings and interest from the Penitentiary Land Fund must 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 must 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 \$516,300, 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)

The FY 2015 Criminal Justice Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 12) continues to permit the department to use the Transition Program Fund and the non-appropriated Interagency Service Agreement Fund for department operating expenses in FY 2015.

**Private Prison Per Diem**

The budget includes \$144,321,300 in FY 2015 for Private Prison Per Diem. This amount consists of:

General Fund	118,825,100
Corrections Fund	24,517,000
Penitentiary Land Fund	979,200

These amounts fund the following adjustments:

**500 Medium-Security Beds**

The budget includes an increase of \$11,941,000 from the General Fund in FY 2015 to annualize the cost of 500 medium-security beds opened in January 2014 and to fund the activation of 500 medium-security private prison beds beginning in January 2015. The funding for the second set of 500 beds assumes the department will open 150 beds on the first of each month, concluding with the final 50 beds on April 1, 2015. Of the amount, \$7,197,300 is for the annualization of the FY 2014 new beds, and the remaining \$4,743,700 is for the activation of 500 beds in FY 2015. The net cost of annualizing these beds in FY 2016 will be \$7,197,300.

The FY 2013 Criminal Justice BRB (Laws 2012, Chapter 302) 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, and medium-security beds to open on January 1, 2015. These contracts were to be awarded by September 1, 2012 from the 2,000-bed Request for Proposals (RFP) issued by the department in February 2012. On August 31, 2012, the department awarded the contract to Corrections Corporation of America (CCA) at a per diem rate of \$65.43 per bed. CCA will house these prisoners at their existing Red Rock Correctional Center in Eloy. The FY 2015 Criminal Justice BRB continues to prohibit the department from awarding the remainder of the 2,000 beds without legislative authorization.

*Background* – Monies in this line item are paid to private prison contractors for housing Arizona inmates in 7,538 beds under contract and operational by June 30, 2015. 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.

**Inmate Health Care Contracted Services**

The budget includes \$125,274,900 in FY 2015 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	115,274,900
Prison Construction and Operations Fund	10,000,000

These amounts are unchanged from FY 2015.

*Background* - Funding to reimburse the contractor is redirected from Health Care Personal Services, Employee Related Expenditures, and Health Care All Other Operating Expenditures as ADC only provides supervisory and administrative health care functions. Although the FY 2013 General Appropriation Act did not include the Inmate Health Care Contracted Services line item, the FY 2013 funding for the contract has been displayed in this line item for comparability.

As the population fluctuates, so will the cost of the contract. Additionally, the contract allows for annual price adjustments that could affect the per diem rate, which the department must approve. The contract does not allow price increases above the percent of change in the average medical consumer price index for the Phoenix Metro area. The department contracted with Corizon to provide inmate health care services effective March 4, 2013 at a per diem of \$10.10 per prisoner per day.

**Additional Legislation**

**Budget Structure**

The FY 2015 Criminal Justice BRB continues to require the department to report FY 2014 actual expenditures, FY 2015 estimated expenditures, and FY 2016 requested expenditure amounts for each line as delineated in the prior year when the department submits its FY 2016 budget request pursuant to A.R.S § 35-113.

**Parole Eligibility**

Laws 2014, Chapter 156 provides that a person sentenced to life in prison with the possibility of release after a minimum number of calendar years for an offense committed before 18 years of age is eligible for parole on completion of the minimum sentence regardless of whether the offense was committed on or after January 1, 1994. The expansion of parole opportunities to this small sub-population would have an unknown impact to future expenses.

**Other Issues**

**Arizona State Prison (ASP)-Marana RFP**

Since 1994, the department has contracted with Management and Training Corporation (MTC) to operate ASP-Marana, a self-standing 500-bed unit providing services to male, minimum-security inmates. ADC signed

a new 10-year contract with two 5-year renewals with MTC in October 2000.

Pursuant to a mutually-agreed-to June 2011 contract amendment, the contract permitted the department to purchase the Marana facility and the land on which it sits for \$150,000 on October 5, 2013 and the department notified MTC at the time of signing the amendment that it intended to purchase the Marana facility and issue an RFP to solicit bids to operate the Marana facility, a process open to MTC and other vendors. The JCCR favorably reviewed ADC’s plan to purchase the facility at its April 2, 2013 meeting. The purchase and transfer of the property was completed on October 4, 2013. A new contract was awarded to MTC with a per-diem of \$45.38. The new contract is a reduction of (7.5)% from the prior contracted rate and provides an estimated savings of \$666,000.

***Inmate Growth Rate***

At the end of April 2014, the average monthly growth for the previous 12 months was 104 inmates, and the population has 903 more inmates than at the end of FY 2013. The JLBC Staff assumes inmate growth of 67 prisoners per month in FY 2015, or approximately 800 annually (716 male inmates and 84 female inmates).

A breakdown of the annual population growth rate by custody and gender can be seen in *Table 1*. As with the overall growth rate, the rate assumptions by gender and custody level may need further revision.

<b><u>Custody</u></b>	<b><u>Male</u></b>	<b><u>Female</u></b>	<b><u>Total</u></b>
Minimum	96.0	36.0	132.0
Medium	253.2	31.2	284.4
Close	312.8	12.0	324.8
Maximum	<u>54.0</u>	<u>4.8</u>	<u>58.8</u>
<b>Total</b>	<b>716.0</b>	<b>84.0</b>	<b>800.0</b>

***Bed Capacity***

There are 2 methods of defining bed capacity:

- “Rated” beds: Beds originally designed for housing prisoners. This amount was 36,681 in public and private prisons on June 30, 2013 a decrease of 428 from the 37,109 on June 30, 2012. The decrease at the end of FY 2013 resulted from the closure of 348 rated minimum beds for efficiency and to open a community corrections center. The department also reassigned 80 rated maximum beds to a temporary classification that should not have been listed as rated beds. ADC added 500 medium rated beds with the opening of the private Red Rock facility in FY 2014, and will add 1,000 rated beds in FY 2015 with the second set of 500 medium private beds at Red Rock and the 500 new maximum beds at the ASPC-Lewis Rast Unit.

- Operating Capacity: “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. During FY 2013, the department reduced its total operating capacity by 179 beds, from 41,989 to 41,810. As of June 30, 2013, public and private prisons have a total of 5,129 temporary beds, an increase from 4,880 as of June 30, 2012. While the use of temporary beds stays the same in FY 2014, ADC projects 5,373 temporary beds in use at the end of FY 2015. They plan to reactivate 324 temporary beds at Cheyenne to meet growth needs and reassign 80 rated maximum beds to their classification as special beds given the opening of the new 500 maximum rated beds.

In addition to rated and temporary beds, special use beds are used 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 1,553 as of June 30, 2013, 2 fewer beds than on June 30, 2012.

The department has flexibility in establishing or decommissioning beds (or shifting between inmate classification) as discussed in this section. As a result, a FY 2015 General Appropriation Act footnote continues to require the department to provide a report to the JLBC for its review regarding bed counts and reasons for changes in the number or classification of beds; this footnote also clarifies when the department needs to provide closure plans to the JLBC for its review after submitting the bed plan above. (*See the Footnotes section.*)

***FY 2014 Bed Surplus/Shortfall***

During FY 2013, the inmate population increased by 809 inmates. At the end of FY 2013, the department had a total rated bed shortfall of (4,005). After adjusting for the 5,129 temporary beds in the overall ADC system, the rated bed shortfall became a 1,124 bed surplus as shown in *Table 3*.

Presuming an annual growth rate of 800 inmates, the projected rated bed shortfall in FY 2014 is (4,305). Including the temporary beds, the shortfall becomes a 824 bed surplus. With either method of capacity, the opening of 500 new private medium beds partially offsets inmate growth. By June 30, 2015, the rated bed shortfall is projected at (4,105) and the operating capacity at 1,268. These projections reflect continued inmate growth offset by the addition of 1,000 rated beds and the reactivation of a net 244 temporary beds.

Bed shortfall estimates vary by level of security (e.g. minimum, medium, or maximum). While the overall operational capacity retains a surplus in FY 2014 and FY 2015, shortfalls are expected in male medium custody beds and close custody beds presuming the growth rates by

gender and classification show in *Table 1*. Including the opening of 1,000 private medium custody beds in FY 2014 and FY 2015, the re-designation of 800 medium custody beds to close custody, and the reactivation of 324 medium custody temporary beds at Yuma Cheyenne in FY 2015, the projected operational capacity shortfalls for male medium custody beds and close custody beds during FY 2013 to FY 2016 are shown in *Table 2*.

Authorized to reclassify beds, the agency projects that they will re-designate a net 1,384 medium custody beds during FY 2014 to FY 2016 as close custody beds to alleviate potential operational capacity shortfalls and to respond to the projected annual growth rate in this category of about 312 inmates. With these proposed changes, the operational capacity shortfalls tighten at the medium custody level. While the operational capacity as a whole shows a surplus, there is a potential for operational capacity shortfalls if growth continues to be concentrated at the male medium custody and close custody levels.

<b><u>Custody</u></b>	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>
Minimum	563	467	371	275
Medium	(158)	(311)	(140)	(778)
Close	(151)	(64)	71	143
Maximum	<u>264</u>	<u>210</u>	<u>528</u>	<u>474</u>
<b>Total</b>	<b>518</b>	<b>302</b>	<b>830</b>	<b>114</b>

***Department of Corrections Building Renewal Fund***

An FY 2015 General Appropriation Act footnote allows the department to spend a portion of its total operating appropriation on capital projects in FY 2015 after seeking review of the expenditure by the Joint Committee on Capital Review pursuant to A.R.S. § 41-1252. *(Please see the Capital Budget - ADOA narrative for more information.)*

***Arizona Inmate Management System***

The budget includes FY 2015 transfers from Department funds associated with replacing the Adult Inmate Management System. *(Please see the Department of Administration - Automation Projects Fund section for details regarding this information technology project.)*

**Table 3**

**Fiscal Year-End Operating Capacity**

State	FY 2013 Actual			FY 2014 Estimate			FY 2015 Estimate		
	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity	Rated	Temporary	Operating Capacity
Douglas	1,925	417	2,342	1,925	417	2,342	1,925	417	2,342
Eyman <sup>1/</sup>	4,024	1,254	5,278	4,024	1,254	5,278	4,024	1,174	5,198
Florence	3,440	677	4,117	3,440	677	4,117	3,440	677	4,117
Perryville	4,202	72	4,274	4,202	72	4,274	4,202	72	4,274
Phoenix	552	162	714	552	162	714	552	162	714
Lewis <sup>2/</sup>	4,604	752	5,356	4,604	752	5,356	5,104	752	5,856
Safford	1,453	316	1,769	1,453	316	1,769	1,453	316	1,769
Tucson	4,605	545	5,150	4,605	545	5,150	4,605	545	5,150
Winslow	1,626	216	1,842	1,626	216	1,842	1,626	216	1,842
Yuma <sup>3/</sup>	4,350	80	4,430	4,350	80	4,430	4,350	404	4,754
<b>Subtotal</b>	<b>30,781</b>	<b>4,491</b>	<b>35,272</b>	<b>30,781</b>	<b>4,491</b>	<b>35,272</b>	<b>31,281</b>	<b>4,735</b>	<b>36,016</b>
<b>Private (Per Diem)</b>									
Kingman (\$62.16)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$49.28)	400	100	500	400	100	500	400	100	500
Marana (\$49.03) <sup>4/</sup>	500	-	500	500	-	500	500	-	500
Florence West (\$44.95 - 55.79)	600	150	750	600	150	750	600	150	750
Florence II (\$67.22)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Eloy (\$65.43) <sup>5/</sup>	-	-	-	500	-	500	1,000	-	1,000
<b>Subtotal</b>	<b>5,900</b>	<b>638</b>	<b>6,538</b>	<b>6,400</b>	<b>638</b>	<b>7,038</b>	<b>6,900</b>	<b>638</b>	<b>7,538</b>
<b>Total - All Beds <sup>6/</sup></b>	<b>36,681</b>	<b>5,129</b>	<b>41,810</b>	<b>37,181</b>	<b>5,129</b>	<b>42,310</b>	<b>38,181</b>	<b>5,373</b>	<b>43,554</b>
<b>State Prison Population</b>	<b>34,190</b>		<b>34,190</b>	<b>34,490</b>		<b>34,490</b>	<b>34,790</b>		<b>34,790</b>
Female	3,688		3,688	3,772		3,772	3,856		3,856
Male	30,502		30,502	30,718		30,718	30,934		30,934
<b>Private Prison Population</b>									
Male	<b>6,496</b>		<b>6,496</b>	<b>6,996</b>		<b>6,996</b>	<b>7,496</b>		<b>7,496</b>
<b>Total Population <sup>7/</sup></b>	<b>40,686</b>		<b>40,686</b>	<b>41,486</b>		<b>41,486</b>	<b>42,286</b>		<b>42,286</b>
<b>Bed Surplus/(Shortfall)</b>	<b>(4,005)</b>		<b>1,124</b>	<b>(4,305)</b>		<b>824</b>	<b>(4,105)</b>		<b>1,268</b>
Male	(4,539)		518	(4,755)		302	(4,471)		830
Female	534		606	450		522	366		438
<b>Bed Surplus / (Shortfall) (% of Beds)</b>	<b>-10%</b>		<b>3%</b>	<b>-10%</b>		<b>2%</b>	<b>-10%</b>		<b>3%</b>

<sup>1/</sup> During FY 2013, ADC redesignated 80 rated Eyman beds as temporary beds. During FY 2015, ADC plans to designate the beds as special use beds with the opening of the new 500 maximum-security beds resulting in a net loss of (80) temporary maximum-security beds.

<sup>2/</sup> ADC will open 500 maximum-security beds at Lewis Rast in FY 2015.

<sup>3/</sup> The department plans to reactivate 324 temporary male medium-security beds at Yuma Cheyenne in June 2015.

<sup>4/</sup> The stated per diem changed with the new contract in October 2013.

<sup>5/</sup> 500 medium-security private beds opened in January 2014, and another 500 beds are scheduled to open starting in January 2015.

<sup>6/</sup> Excludes special use beds totaling 1,553 in FY 2013, 1,553 in FY 2014, 1,633 in FY 2015.

<sup>7/</sup> The chart uses the Official Daily Count that includes prisoners in outside facilities and those awaiting transfer from county jail.