

State Department of Corrections

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,566.0	9,569.0	9,569.0 ^{1/}
Correctional Officer Personal Services	31,629,700	410,568,300	414,306,100
Health Care Personal Services	150,500	4,142,800	4,142,800
All Other Personal Services	0	77,404,300	77,404,300
Personal Services Subtotal	31,780,200	492,115,400	495,853,200
Employee Related Expenditures	12,263,300	293,672,600	226,257,000
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	2,748,600	15,540,500	15,540,500
Other Operating Expenditures			
Professional and Outside Services	10,115,500	9,314,600	9,314,600
Travel - In State	327,100	169,000	169,000
Travel - Out of State	87,500	48,300	48,300
Food	32,182,900	37,218,800	37,218,800
Other Operating Expenditures	118,564,500	71,846,000	83,412,400
Equipment	30,460,600	24,122,100	21,479,400
Other Operating Expenditures Subtotal	191,738,100	142,718,800	151,642,500
OPERATING SUBTOTAL	238,530,200 ^{2/}	944,047,300	889,293,200 ^{3/4/}
SPECIAL LINE ITEMS			
Community Corrections	4,384,800	27,681,200	27,452,300
Private Prison Per Diem	152,402,500	237,554,100	289,858,400 ^{5/}
Inmate Health Care Contracted Services	183,737,300	269,681,300	321,620,200 ^{6/7/}
Medical Staffing Augmentation	3,772,100	0	0
Substance Abuse Treatment	0	6,100,700	5,445,400
Community Treatment Program for Imprisoned Women	0	2,000,000	0
Onetime Vehicle Purchase	0	9,048,400	0
Transitional and Reentry Housing	0	0	5,000,000 ^{8/9/}
Transitional Housing Grants	0	0	2,000,000 ^{10/}
Inmate Dog Training	0	0	650,000 ^{11/}
Named Claimants	16,000	169,300	0
AGENCY TOTAL	582,842,900 ^{2/}	1,496,282,300	1,541,319,500 ^{12/-20/}
FUND SOURCES			
General Fund	545,086,300 ^{2/}	1,438,132,500	1,483,523,900
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	15,000	555,800	555,800
Corrections Fund	30,312,400	30,967,800	31,312,500
Inmate Store Proceeds Fund	954,100	5,544,200	1,287,800
Penitentiary Land Fund	2,748,800	2,777,600	2,743,600 ^{21/}
Prison Construction and Operations Fund	0	12,500,100	14,106,800
State Charitable, Penal and Reformatory Institutions Land Fund	2,665,600	2,665,100	2,665,600 ^{22/}
State Education Fund for Correctional Education	579,300	738,900	723,200 ^{23/}
Transition Program Fund	481,400	2,400,300	4,400,300
SUBTOTAL - Other Appropriated Funds	37,756,600	58,149,800	57,795,600
SUBTOTAL - Appropriated Funds	582,842,900	1,496,282,300	1,541,319,500
Other Non-Appropriated Funds	61,599,300	73,438,400	73,438,400
Federal Funds	677,802,500 ^{2/}	10,702,000	7,990,600
TOTAL - ALL SOURCES	1,322,244,700	1,580,422,700	1,622,748,500

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.

FOOTNOTES

- 1/ Includes 187 GF FTE Positions funded from Special Line Items in FY 2024.
- 2/ FY 2022 actual expenditures were partially offset by federal Coronavirus Relief Fund and Coronavirus State and Local Fiscal Recovery Fund monies.
- 3/ Of the amount appropriated in the operating lump sum, \$495,853,200 is designated for personal services, \$226,257,000 is designated for employee-related expenditures and \$15,540,500 is designated for overtime expenditures. The department shall submit an expenditure plan for review by the joint legislative budget committee before spending these monies other than for personal services or employee-related expenditures. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ 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)
- 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, 2023 and February 1, 2024, 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 transitional and reentry housing line item shall be used by the state department of corrections to secure through a competitive grant process a program that does all of the following:
 1. Provides evidence-based, evidence-informed and culturally competent substance use treatment and substance use early intervention services that includes referral services, stabilization, detox, inpatient treatment, transitional residence and outpatient services to individuals who may have one or a combination of the following conditions:
 - (a) Involvement with the justice system.
 - (b) A mental health diagnosis, including a diagnosis as being seriously mentally ill.
 - (c) A co-occurring chronic health condition.
 - (d) Experienced homelessness or are at a high risk of becoming homeless.
 2. Provides residential inpatient treatment services for up to ninety days and provides long-term recovery supportive housing for up to twenty-four months after inpatient treatment services end.
 3. Delivers forensic peer and family support services to enhance and strengthen successful reentry into the community that include workforce development, securing permanent housing, navigating systems of care, educational and professional development opportunities, family connection and reintegration services, supporting multiple pathways to recovery and providing sober social activities.
 4. Uses technology to promote long-term recovery.
 5. Delivers treatment for reentry and long-term recovery services and provides support via a campus-based continuum of care model where services and support are colocated. (General Appropriation Act footnote)
- 9/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 10/ The amount appropriated in the transitional housing grants line item shall be used to establish a program to provide grants to nonprofit organizations that support individuals who are incarcerated by helping prepare them for release and transition back into the community. To be eligible for a grant, a nonprofit organization must meet all of the following criteria:
 1. Have a verifiable record of mentoring at least three thousand inmates while the inmates were in prison for at least a two-year period.

2. Use the grant monies for individuals that have been previously mentored by the nonprofit organization. To receive resources from the grant, individuals being released from prison must have been mentored for at least three months by the nonprofit organization while the individual was in prison.
3. Demonstrate that the nonprofit organization can provide individuals being released from prison with all of the following:
 - (a) Up to two weeks of housing at no cost to the individual, if necessary as assessed by the nonprofit organization and up to six months of housing at a reduced rate.
 - (b) Behavioral health services, including peer support and case management.
 - (c) Assistance with obtaining government-issued documents.
 - (d) Within four months after release, assistance with securing employment that offers health insurance and assistance with disenrolling from the Arizona health care cost containment system.

On or before August 31, 2024, the department shall submit a report to the governor, the president of the senate and the speaker of the house of representatives that includes all of the following for the prior year:

1. The names of the nonprofit organizations that were awarded grants.
 2. The number of individuals who were served by the nonprofit organizations through the grant program.
 3. The number of individuals who were served by the nonprofit organizations, who found employment that provides health insurance and who were disenrolled from the Arizona health care cost containment system. (General Appropriation Act footnote)
- 11/ The amount appropriated in the inmate dog training line item shall be used to contract with a nonprofit organization that trains inmates to rehabilitate and resocialize at-risk shelter dogs. The amount appropriated in the inmate dog training line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)
- 12/ 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)
- 13/ 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)
- 14/ On or before November 1, 2023, 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, 2022 and June 30, 2023 and the projected capacity for June 30, 2024, 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)
- 15/ If the department develops a plan after its November 1, 2023 report 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)
- 16/ On or before August 1, 2023, 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 2023-2024. (General Appropriation Act footnote)
- 17/ On or before December 15, 2023 and July 15, 2024, 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)
- 18/ The department shall report actual fiscal year 2022-2023, estimated fiscal year 2023-2024, and requested fiscal year 2024-2025 expenditures as delineated in the prior year when the department submits its fiscal year 2024-2025 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriation Act footnote)

- 19/ On or before July 15, 2023, the state department of corrections shall submit a report to the joint legislative budget committee detailing expenditures of monies appropriated in fiscal year 2021-2022 for medical staffing augmentation. The department shall continue to report on July 15 of each year until all monies have been expended. (General Appropriation Act footnote)
- 20/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 21/ 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)
- 22/ 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)
- 23/ Before spending any state education fund for correctional education monies in excess of \$723,200, 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 \$45,391,400 in FY 2024 for the following:

- \$51,200,000 for increased inmate health costs.
- \$36,481,800 for one-time Florence closure costs.
- \$9,058,100 for one-time increased food costs.
- \$8,503,500 for private prison contract increases.
- \$7,101,400 to fully fund FY 2023 private prison salary increase.
- \$5,000,000 for one-time transitional and reentry housing grants (plus \$2,000,000 from the Transition Program Fund for Transitional Housing Grants).
- \$3,737,800 to backfill unrealized overtime savings.
- \$2,000,000 for a one-time corrections system assessment.
- \$650,000 for one-time inmate dog training program.
- \$(169,300) for removal of FY 2023 named claimants supplemental.
- \$(9,017,100) for statewide adjustments.
- \$(9,488,400) for the elimination of one-time FY 2023 funding.
- \$(59,666,400) for retirement unfunded liability payoff savings.

Penitentiary Land Fund	681,100
Prison Construction and Operations Fund	2,686,800
State Charitable, Penal and Reformatory Institutions Land Fund	1,165,600
State Education Fund for Correctional Education	723,200

Adjustments are as follows:

Florence Closure Overtime Backfill

The budget includes an increase of \$3,737,800 from the General Fund in FY 2024 to backfill unrealized overtime savings assumed in the FY 2022 budget's Florence closure 3-year spending plan.

One-Time Florence Closure Costs

The budget includes a one-time increase of \$1,463,500 in FY 2024 for higher food costs associated with the Florence closure. This amount consists of:

General Fund	463,500
Corrections Fund	1,000,000

One-Time Food Costs

The budget includes a one-time increase of \$9,058,100 from the General Fund in FY 2024 for increased food costs.

One-Time Corrections System Assessment

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2024 to conduct a systemwide assessment of contracts, staffing, and retention issues in the department.

One-Time Leap Year Costs

The budget includes a one-time increase of \$186,700 from the Prison Construction and Operations Fund in FY 2024 for increased contract costs associated with one additional day in FY 2024.

Operating Budget

The budget includes \$889,293,200 and 9,382 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<u>FY 2024</u>
General Fund	\$878,497,400
Alcohol Abuse Treatment Fund	250,300
Corrections Fund	4,001,000
Inmate Store Proceeds Fund	1,287,800

Remove One-Time Body Scanner Funding

The budget includes a decrease of \$(2,642,700) from the Inmate Store Proceeds Fund in FY 2024 for the elimination of one-time funding to purchase body scanners.

Retirement Savings

The budget includes a decrease of \$(59,666,400) from the General Fund in FY 2024 due to lower employer retirement contributions. The FY 2023 budget included a FY 2022 supplemental of \$474,635,300 from the General Fund to PSPRS to reduce unfunded pension liability in the ADC CORP Employer Group. Those savings take effect in FY 2024. *(Please see the Consolidated Retirement Report for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(8,891,100) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(8,788,200)
Inmate Store Proceeds Fund	(53,700)
Penitentiary Land Fund	(34,000)
State Charitable, Penal and Reformatory Institutions Land Fund	500
State Education Fund for Correctional Education	(15,700)

(Please see the Agency Detail and Allocations section.)

Community Corrections

The budget includes \$27,452,300 and 184 FTE Positions in FY 2024 for Community Corrections. These amounts consist of:

General Fund	24,746,500
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,300

Adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(228,900) from the General Fund in FY 2024 for statewide adjustments.

Background – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$27,452,300 in FY 2024 appropriated funds, ADC projects that they will utilize an additional \$3,182,500 in non-appropriated funds for these activities in FY 2024.

As of June 30, 2023, ADC has responsibility for 5,253 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.

See *Table 1* for detail on the FY 2022 expenditures from the line item.

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$ 0	\$19,706,600	\$19,706,600
Transition Program	491,000	0	491,000
Maricopa Reentry	1,934,000	711,300	2,645,300
Pima Reentry	1,271,800	2,015,000	3,286,800
Mental Health	0	0	0
Transition Program			
Other/Overhead	<u>688,000</u>	<u>108,100</u>	<u>796,100</u>
Total	\$4,384,800	\$22,541,000	\$26,925,800

^{1/} Non-Appropriated Expenditures include the effect of the end of FY 2022 shift from the General Fund to the federal Coronavirus State and Local Fiscal Recovery Fund.

Private Prison Per Diem

The budget includes \$289,858,400 in FY 2024 for Private Prison Per Diem. This amount consists of:

General Fund	259,803,300
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500
Prison Construction and Operations Fund	681,100

Adjustments are as follows:

One-Time Florence Closure Costs

The budget includes a one-time increase of \$36,018,300 from the General Fund in FY 2024 to fund private prison beds to replace reduced state operated capacity after the Florence prison closure.

Private Prison Contract Increase

The budget includes an increase of \$8,503,500 from the General Fund in FY 2024 for increased contract costs for the Florence West and Phoenix West prisons.

FY 2023 Salary Increase Shortfall

The budget includes an increase of \$7,101,400 from the General Fund in FY 2024 to fully fund the salary increase approved in the FY 2023 budget.

One-Time Leap Year Costs

The budget includes a one-time increase of \$681,100 from the Prison Construction and Operations Fund in FY 2024 for increased contract costs associated with one additional day in FY 2024.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,168 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. Of the 7 existing private prison contracts, 4 (Marana, Kingman, Phoenix West and Florence West) are solely for management services as the state owns those facilities.

Inmate Health Care Contracted Services

The budget includes \$321,620,200 in FY 2024 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	309,381,300
Prison Construction and Operations Fund	10,738,900

State Charitable, Penal and Reformatory Institutions Land Fund 1,500,000

Adjustments are as follows:

One-Time Health Care Costs

The budget includes a one-time increase of \$51,200,000 from the General Fund in FY 2024 for increased health care costs.

One-Time Leap Year Costs

The budget includes a one-time increase of \$738,900 from the Prison Construction and Operations Fund in FY 2024 for increased contract costs associated with one additional day in FY 2024.

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

(Please see the Inmate Health Care Litigation section in Other Issues.)

Substance Abuse Treatment

The budget includes \$5,445,400 and 3 FTE Positions from the General Fund in FY 2024 for Substance Abuse Treatment. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(655,300) from the Corrections Fund in FY 2024 for the elimination of one-time equipment and startup funding.

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 no funding in FY 2024 for the Community Treatment Program for Imprisoned Women. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2024 for the elimination of one-time funding.

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 no funding in FY 2024 for One-Time Vehicle Purchase. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(9,048,400) in FY 2024 for vehicle purchases. This amount consists of:

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

Transitional and Reentry Housing

The budget includes \$5,000,000 from the General Fund in FY 2024 for Transitional and Reentry Housing. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$5,000,000 from the General Fund in FY 2024 for transitional and reentry housing. The budget exempts this funding from lapsing.

An FY 2024 General Appropriation Act footnote requires these monies to be used for a competitive grant process to provide substance use treatment, a mental health diagnosis, a chronic health condition and/or have experienced homelessness or are at high risk of becoming homeless. Grant recipients must also provide residential treatment services for up to 90 days and recovery housing up to 24 months after completing treatment, deliver peer and family support services, utilize technology to promote recovery, and deliver treatment for reentry via a campus-based continuum care model.

Transitional Housing Grants

The budget includes \$2,000,000 from the Transition Program Fund in FY 2024 for Transitional Housing Grants. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$2,000,000 from the Transition Program Fund in FY 2024 for transitional housing grants.

An FY 2024 General Appropriation Act footnote requires these monies be used to provide grants to nonprofits that

meet the following criteria: 1) have mentored at least 3,000 inmates who were in prison for at least 2 years, 2) have mentored inmates receiving resources for at least 3 months while incarcerated, and 3) provide individuals with housing up to 6 months, behavioral health services, assistance with obtaining identification documents, and assistance in securing employment and health insurance. The footnote also requires the department to report on August 31, 2024 on the recipient(s) of grants and specified performance metrics.

Inmate Dog Training

The budget includes \$650,000 from the General Fund in FY 2024 for Inmate Dog Training. Adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$650,000 from the General Fund in FY 2024 for inmate dog training.

A FY 2024 General Appropriation Act footnote requires these monies be used to contract with a nonprofit organization to train inmates to rehabilitate at-risk dogs. The footnote also makes this appropriation exempt from lapsing through FY 2025.

Named Claimants

The budget includes no funding in FY 2024 for Named Claimants. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(169,301.84) from the General Fund in FY 2024 for the elimination of one-time funding for prior year unpaid claims.

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

Other Issues

This section includes information on the following topics:

- FY 2023 Supplemental
- Long-Term Budget Impacts
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall
- Inmate Health Care Issues

FY 2023 Supplemental

The FY 2024 budget includes a FY 2023 supplemental appropriation of \$169,301.84 from the General Fund for a one-time named claimants appropriation. *(Please see the Named Claimants line item for further details.)*

Long-Term Budget Impacts

As part of the FY 2024 budget's 3-year spending plan, ADC's General Fund costs are projected to decrease by \$(104,389,900) in FY 2025 below FY 2024.

These amounts are based on:

- A decrease of \$(51,200,000) to remove one-time funding for inmate health care costs.
- A decrease of \$(36,481,800) to remove one-time funding for Florence replacement beds.
- A decrease of \$(9,058,100) to remove one-time funding for a corrections system assessment.
- A decrease of \$(5,000,000) to remove one-time funding for transitional and reentry housing.
- A decrease of \$(2,000,000) to remove one-time funding for a corrections system assessment.
- A decrease of \$(650,000) to remove one-time funding inmate dog training.

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 2022, the program saved a total of 248,693 bed days. In that same year, the Transition Program Fund received revenue of about \$5,309,600 from all sources. Of this amount, \$4,227,800 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 2022 were on average \$2 per inmate per day, or \$491,000 total.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2023, the total inmate population was 34,377. This was an increase of 1,006 inmates from the June 30, 2022 population of 33,371. *Table 2* shows the year-end populations from FY 2018 to FY 2023.

Table 2

Year-End Population, FY 2018 - FY 2023

<u>Year</u>	<u>Population</u>
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371
FY 2023	34,377

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 39,153 public and private beds on June 30, 2023, a decrease of (35) beds since June 30, 2022.
- 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 2023, the department decreased its total operating capacity by (104) beds, from 44,473 to 44,369.

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 1,787 as of June 30, 2023, a decrease of (111) from June 30, 2022.

Bed Surplus/Shortfall

At the end of FY 2023, the department had a total rated bed surplus of 4,776. After adjusting for the 5,216

temporary beds in the overall ADC system, the rated bed surplus became a 9,992-operating bed surplus. Because beds are divided by gender and security level, this figure may not fully reflect system capacity. (Please see *Table 3 for more information.*)

Inmate Health Care Issues

Health care for inmates in state-operated prisons is provided through a contracted private company. The current inmate health care contract went into effect in October 2022 at an estimated annual cost of \$279.7 million. In April 2023, the U.S. District Court judge overseeing the *Jensen v. Thornell* inmate health care litigation issued a permanent injunction against the Department of Corrections. The Court has ordered the department to make several improvements to its health care in state-operated prisons including adding medical staff, filling vacant security positions, making facility upgrades, improving case management, providing Hepatitis C treatment to infected inmates, and offer medication assisted treatment (MAT) to inmates with substance abuse disorders.

The FY 2024 budget included a one-time increase of \$51.2 million to pay for the expected costs of the injunction in FY 2024. ADC expects the injunction-related costs will be approximately \$85.0 million in FY 2024. The budget assumes the department will utilize operating savings (primarily from unfilled correctional officer positions) to fill the funding gap.

The FY 2024 budget includes a total of \$321.6 million for the Inmate Health Care Contracted Services line item. In addition to the appropriated funding, the department has in the past received federal Medicaid reimbursement for the costs of outside health care that can be utilized to pay vendor costs. For example, in FY 2022, ADC received \$12.6 million in Medicaid reimbursement. The new vendor contract that went into effect in October 2022 no longer requires the vendor to track the costs of these services and to seek Medicaid reimbursement for these costs. As a result, the department does not expect to receive federal Medicaid reimbursement going forward.

At the June 2023 JLBC meeting, the Committee gave the department a favorable review to the department's plan to utilize \$38.5 million in FY 2023 vacancy savings for other department budget shortfalls. Of that amount, \$10.8 million was for inmate health care injunction costs. As part of its review, the Committee included a provision requiring the department to work with the health care vendor to amend the existing contract to restore federal Medicaid funding for inmate inpatient services.

Table 3

Fiscal Year-End Operating Capacity

State	FY 2022 Actual			FY 2023 Actual			FY 2024 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	140	2,045	1,905	140	2,045	1,905	140	2,045
Eyman	3,984	1,833	5,817	4,493	2,211	6,704	4,493	2,211	6,704
Florence	794	421	1,215	0	0	0	0	0	0
Perryville	4,214	141	4,355	4,214	129	4,343	4,214	129	4,343
Phoenix	552	202	754	552	213	765	552	213	765
Lewis	5,104	870	5,974	5,104	879	5,983	5,104	879	5,983
Safford	1,453	160	1,613	1,703	160	1,863	1,703	160	1,863
Tucson	4,600	516	5,116	4,600	582	5,182	4,600	582	5,182
Winslow	1,626	0	1,626	1,626	0	1,626	1,626	0	1,626
Yuma	4,350	340	4,690	4,350	340	4,690	4,350	340	4,690
Subtotal	28,582	4,623	33,205	28,547	4,654	33,201	28,547	4,654	33,201
Private (Per Diem)									
Kingman (\$53.75)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$65.02 – 89.95)	400	100	500	400	-	400	400	-	400
Marana (\$59.35)	500	-	500	500	-	500	500	-	500
Florence West (\$59.29 – 74.50)	600	150	750	600	150	750	600	150	750
Florence II (\$84.03)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$80.83)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
La Palma (\$88.62)	2,706	-	2,706	2,706	-	2,706	2,706	-	2,706
Subtotal ^{1/}	10,606	662	11,268	10,606	562	11,168	10,606	562	11,168
Total - All beds ^{2/}	39,188	5,285	44,473	39,153	5,216	44,369	39,153	5,216	44,369
State Prison Population									
Male	22,331		22,331	21,143		21,143	21,670		21,670
Female	3,063		3,063	3,172		3,172	3,250		3,250
Subtotal	25,394		25,394	24,315		24,315	24,920		24,920
Private Prison Population									
Male	7,977		7,977	10,062		10,062	10,315		10,315
Total Population ^{3/4/}	33,371		33,371	34,377		34,377	35,235		35,235
Bed Surplus/(Shortfall)									
Male	5,817		11,102	4,776		9,992	3,918		9,134
Female	4,555		8,213	3,623		8,710	2,843		7,930
Female	1,262		1,353	1,153		1,282	1,075		1,204
Bed Surplus/(Shortfall) (% of Beds)	15%		25%	12%		23%	10%		21%

^{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 1,787 as of June 30, 2023.

^{3/} The chart excludes prisoners awaiting transfer from county jail.

^{4/} The chart reflects the actual inmate population at the end of FY 2023 and assumes a 2.5% population growth in FY 2024 over FY 2023.