

# Arizona Department of Corrections

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9,569.0	9,569.0	9,569.0 <sup>1/</sup>
Personal Services	433,172,000	495,853,200	495,853,200
Employee Related Expenditures	207,401,600	226,257,000	226,257,000
Professional and Outside Services	14,155,400	10,616,700	10,616,700
Travel - In State	509,100	480,900	480,900
Travel - Out of State	93,000	74,900	74,900
Food	37,436,300	47,646,900	38,588,800
Other Operating Expenditures	96,937,400	91,787,500	88,137,300
Equipment	12,449,300	1,035,600	1,035,600
<b>OPERATING SUBTOTAL</b>	<b>802,154,100</b>	<b>873,752,700</b>	<b>861,044,400</b> <sup>2/3/</sup>
<b>SPECIAL LINE ITEMS</b>			
Overtime and Compensatory Time	96,990,900	15,540,500	15,540,500 <sup>4/</sup>
Community Corrections	23,969,100	27,452,300	27,452,300
Private Prison Per Diem	231,096,700	289,858,400	244,655,500 <sup>5/</sup>
Inmate Health Care Contracted Services	265,507,600	321,620,200	269,681,300 <sup>6/</sup>
Medical Staffing Augmentation	11,227,900	0	0
Substance Abuse Treatment	759,200	5,445,400	5,445,400
One-Time Vehicle Purchase	3,804,800	0	0
Transitional and Reentry Housing	0	5,000,000	0
Transitional Housing Grants	0	2,000,000	0
Inmate Dog Training	0	650,000	0
<b>AGENCY TOTAL</b>	<b>1,435,510,300</b>	<b>1,541,319,500</b>	<b>1,423,819,400</b> <sup>7/-15/</sup>
<b>FUND SOURCES</b>			
General Fund	1,385,450,900	1,483,523,900	1,370,630,500
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	21,300	555,800	555,800
Corrections Fund	30,663,100	31,312,500	30,312,500
Inmate Store Proceeds Fund	4,639,800	1,287,800	1,287,800
Penitentiary Land Fund	2,764,500	2,743,600	2,743,600 <sup>16/</sup>
Prison Construction and Operations Fund	8,459,800	14,106,800	12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	2,665,100	2,665,600	2,665,600 <sup>17/</sup>
State Education Fund for Correctional Education	420,200	723,200	723,200 <sup>18/</sup>
Transition Program Fund	425,600	4,400,300	2,400,300
SUBTOTAL - Other Appropriated Funds	50,059,400	57,795,600	53,188,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,435,510,300</b>	<b>1,541,319,500</b>	<b>1,423,819,400</b>
Other Non-Appropriated Funds	91,161,900	84,373,600	78,943,600
Federal Funds	20,074,400	16,762,100	8,684,400
<b>TOTAL - ALL SOURCES</b>	<b>1,546,746,600</b>	<b>1,642,455,200</b>	<b>1,511,447,400</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.

## FOOTNOTES

<sup>1/</sup> Includes 187 GF FTE Positions funded from Special Line Items in FY 2025.

<sup>2/</sup> 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. 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)
- 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/ **NEW** The department shall submit an expenditure plan for review by the joint legislative budget committee before spending monies appropriated for overtime and compensatory time other than for personal services or employee-related expenditures. (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, 2024 and February 1, 2025, 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/ 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)
- 9/ 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)
- 10/ On or before November 1, 2024, 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, 2023 and June 30, 2024 and the projected capacity for June 30, 2025, 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)
- 11/ If the department develops a plan after its November 1, 2024 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)
- 12/ On or before August 1, 2024, 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 2024-2025. (General Appropriation Act footnote)
- 13/ On or before December 15, 2024 and July 15, 2025, 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)
- 14/ The department shall report actual fiscal year 2023-2024, estimated fiscal year 2024-2025, and requested fiscal year 2025-2026 expenditures as delineated in the prior year when the department submits its fiscal year 2025-2026 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriation Act footnote)
- 15/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

- 16/ 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)
- 17/ 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)
- 18/ 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)

**Summary**

The Baseline decreases the Arizona Department of Corrections (ADC)'s General Fund spending by \$(112,893,400) in FY 2025 for the following:

- \$(51,200,000) to remove one-time increased inmate health funding.
- \$(36,481,800) to remove one-time Florence closure funding.
- \$(9,058,100) to remove one-time increased food funding.
- \$(8,503,500) to remove one-time private prison funding for the Florence West and Phoenix West contract increases.
- \$(5,000,000) to remove one-time transitional and reentry housing grants (plus \$2,000,000 from the Transition Program Fund for Transitional Housing Grants).
- \$(2,000,000) to remove one-time corrections system assessment funding.
- \$(650,000) to remove one-time inmate dog training program funding.

**Operating Budget**

The Baseline includes \$861,044,400 and 9,382 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	<b>FY 2025</b>
General Fund	\$851,435,300
Alcohol Abuse Treatment Fund	250,300
Corrections Fund	3,001,000
Inmate Store Proceeds Fund	1,287,800
Penitentiary Land Fund	681,100
Prison Construction and Operations Fund	2,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	1,165,600
State Education Fund for Correctional Education	723,200

Adjustments are as follows:

**Remove One-Time Florence Closure Costs**

The Baseline includes a decrease of \$(1,463,500) in FY 2025 to remove one-time higher food funding associated with the Florence closure. This amount consists of:

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

**Remove One-Time Food Funding**

The Baseline includes a decrease of \$(9,058,100) from the General Fund in FY 2025 to remove one-time increased food funding.

**Remove One-Time Corrections System Assessment**

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding to conduct a systemwide assessment of contracts, staffing, and retention issues in the department.

**Remove One-Time Leap Year Funding**

The Baseline includes a decrease of \$(186,700) from the Prison Construction and Operations Fund in FY 2025 to remove one-time funding for contract costs associated with one additional day in FY 2024.

The Baseline also shifts the funding allocated for Overtime and Compensation Time from the operating budget to a dedicated special line item.

**Overtime and Compensation Time**

The Baseline includes \$15,540,000 from the General Fund in FY 2025 for Overtime and Compensation Time. This amount is unchanged from FY 2024.

The Baseline shifts the funding allocated for Overtime and Compensation Time from the operating budget to a dedicated special line item. FY 2023 actual expenditures and FY 2024 estimates are displayed in this line item instead of the operating budget.

*Background* – This line item funds overtime and compensation time primarily for correctional officers to make up for vacant positions.

**Community Corrections**

The Baseline includes \$27,452,300 and 184 FTE Positions in FY 2025 for Community Corrections. These amounts consist of:

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

These amounts are unchanged from FY 2024.

*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 2025 appropriated funds, ADC projects that they will utilize an additional \$8,889,000 in non-appropriated funds for these activities in FY 2025.

As of December 6, 2023, ADC has responsibility for 5,291 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 2023 expenditures from the line item.

	<u>Approp.</u>	<u>Non- Approp.</u>	<u>Total</u>
Comm. Supervision	\$17,206,100	\$8,648,600	\$25,854,700
Transition Program	442,600	0	442,600
Maricopa Reentry	2,327,100	243,700	2,570,800
Pima Reentry	3,739,100	0	3,739,100
Mental Health Transition Program	0	0	0
Other/Overhead	<u>254,200</u>	<u>0</u>	<u>254,200</u>
<b>Total</b>	<b>\$23,969,100</b>	<b>\$8,892,300</b>	<b>\$32,861,400</b>

**Private Prison Per Diem**

The Baseline includes \$244,655,500 in FY 2025 for Private Prison Per Diem. This amount consists of:

General Fund	215,281,500
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

Adjustments are as follows:

**Remove One-Time Florence Closure Costs**

The Baseline includes a decrease of \$(36,018,300) from the General Fund in FY 2025 to remove one-time funding for private prison beds to replace reduced state operated capacity after the Florence prison closure.

**Remove One-Time Private Prison Contract Increase**

The Baseline includes a decrease of \$(8,503,500) from the General Fund in FY 2025 to remove one-time funding for increased contract costs for the Florence West and Phoenix West prisons.

**Remove One-Time Leap Year Costs**

The Baseline includes a decrease of \$(681,100) from the Prison Construction and Operations Fund in FY 2025 to remove funding 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 6

existing private prison contracts, 3 (Kingman, Phoenix West and Florence West) are solely for management services as the state owns those facilities.

ADC also owns the Marana prison complex, a 500-bed minimum security prison. Marana was previously managed under a private prison contract. In November 2023, ADC announced it would let the contract expire effective December 31, 2023. While the prison no longer houses inmates, ADC reported it plans to keep the prison beds in its official count until a decision is made for the future of the complex.

### ***Inmate Health Care Contracted Services***

The Baseline includes \$269,681,300 in FY 2025 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

Adjustments are as follows:

#### **Remove One-Time Health Care Costs**

The Baseline includes a decrease of \$(51,200,000) from the General Fund in FY 2025 to remove one-time health care costs funding.

#### **Remove One-Time Leap Year Costs**

The Baseline includes a decrease of \$(738,900) from the Prison Construction and Operations Fund in FY 2025 to remove funding 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 Baseline includes \$5,445,400 and 3 FTE Positions from the General Fund in FY 2025 for Substance Abuse Treatment. These amounts are unchanged from FY 2024.

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.

### ***Transitional and Reentry Housing***

The Baseline includes no funding in FY 2025 for Transitional and Reentry Housing. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove transitional and reentry housing funding.

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. An FY 2024 footnote also exempted the appropriation from lapsing.

### ***Transitional Housing Grants***

The Baseline includes no funding in FY 2025 for Transitional Housing Grants. Adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline includes a decrease of \$(2,000,000) from the Transition Program Fund in FY 2025 to remove transitional housing grants funding.

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 Baseline includes no funding in FY 2025 for Inmate Dog Training. Adjustments are as follows:

### Remove One-Time Funding

The Baseline includes a decrease of \$(650,000) from the General Fund in FY 2025 to remove inmate dog training funding.

An 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.

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### Other Issues

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This section includes information on the following topics:

- Transition Program
- Bed Capacity Issues
  - Inmate Growth Rate
  - Bed Capacity
  - Bed Surplus/Shortfall
- Inmate Health Care Issues

### 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 2023, the program saved a total of 304,121 bed days. In that same year, the Transition Program Fund received revenue of \$5,631,900 from all sources. Of this amount, \$5,170,100 came from the statutory \$17 transfer and the remainder came from DUI inmate wages. The vendor is required to seek Medicaid payment for services like substance abuse treatment prior to billing ADC. Because Medicaid pays for much of the costs, the department's vendor costs to run the program in FY 2023

were on average \$1.46 per inmate per day, or \$442,600 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 2019 to FY 2024.

Table 2

Year-End Population, FY 2019 - FY 2024

<u>Year</u>	<u>Population</u>
FY 2019	42,312
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371
FY 2023	34,377
FY 2024 (as of December 6)	34,462

The decline in the ADC population from FY 2020 through FY 2022 was likely 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 appropriated \$321.6 million for the costs of the contract. This included a one-time increase of \$51.2 million above the FY 2023 appropriation to pay for the expected costs of the injunction. The budget was also premised on an Executive proposal to utilize other savings of approximately \$(27) million within the ADC budget (primarily vacancy savings from unfilled correctional officer positions) to cover this shortfall. Including the redirected savings, the FY 2024 budget agreement provided \$348.6 million for inmate health care. In November 2023, ADC stated that they may not be able to generate their estimated \$(27) million of internal savings.

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 FY 2023 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, a requirement in previous contracts that was not included in the new vendor contract.

A longstanding General Appropriation Act footnote requires ADC to seek JLBC review prior to making any changes to the contracted health care rate. ADC increased the daily rate from \$30.65 to \$33.128 in June 2023 without seeking Committee review.

In October 2023 ADC finalized a new contract amendment with the vendor to incorporate the court injunction

requirements and reinstate Medicaid reimbursement. ADC submitted these additional changes to the Committee for review. ADC proposed to increase the rate in several steps from the new daily rate of \$33.128 to \$40.577 as of March 1, 2024. As a result of these changes, the estimated FY 2024 cost of the contract will be \$348.1 million, within the FY 2024 budget's assumed funding levels as discussed above.

As part of the FY 2024 daily rate increases, ADC proposed a \$1.64 daily rate increase to reinstate the Medicaid reimbursement requirement. On an annualized basis, this is expected to cost the state approximately \$15 million, while ADC only expects to recoup \$11 million in reimbursements.

ADC also proposed increasing the daily rate to \$42.472 beginning July 1, 2024. That change would increase the FY 2025 contract cost to \$387.6 million. Relative to the FY 2025 Baseline funding, the FY 2025 funding gap would be \$(117.9) million.

At the November 2023 JLBC meeting, the Committee gave a review to most of ADC's proposed changes but gave an unfavorable review to the proposed \$1.64 daily rate increase for Medicaid reimbursement. As part of its review, the Committee included the several reporting requirements:

- A review by the Committee does not constitute endorsement of a General Fund appropriation for an FY 2024 supplemental or a specific FY 2025 appropriation for Inmate Healthcare.
- Starting on December 15<sup>th</sup>, 2023, and the 15<sup>th</sup> of every month thereafter through July 2025, ADC shall submit a report to the JLBC Staff on the previous month's vacancy savings and year-to-date vacancy savings relative to the appropriated budget. ADC shall report the monthly actuals for personal services, employee-related expenditures and overtime as compared to their monthly appropriation allocation for those line items based on the FY 2024 and FY 2025 appropriations.
- Any FY 2024 supplemental request submitted by the Executive shall be accompanied by a detailed estimate of the department's fiscal year-end vacancy savings and a description of how those savings would be used for addressing the department's injunction costs beyond the proposed contracted rates.
- On or before January 26, 2024, ADC shall submit a report to the JLBC Staff detailing the healthcare vendor's methodology for determining the contracted administrative costs associated with Medicaid reimbursement.

Table 3

## Fiscal Year-End Operating Capacity

State	FY 2023 Actual			FY 2024 Estimate			FY 2025 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	4,493	2,211	6,704	4,493	2,211	6,704	4,493	2,211	6,704
Perryville	4,214	129	4,343	4,214	129	4,343	4,214	129	4,343
Phoenix	552	213	765	427	190	617	427	190	617
Lewis <sup>1/</sup>	5,104	879	5,983	5,104	879	5,983	5,104	879	5,983
Safford	1,703	160	1,863	1,703	160	1,863	1,703	160	1,863
Tucson	4,600	582	5,182	4,540	582	5,122	4,540	582	5,122
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
<b>Subtotal</b>	<b>28,547</b>	<b>4,654</b>	<b>33,201</b>	<b>28,362</b>	<b>4,631</b>	<b>32,993</b>	<b>28,362</b>	<b>4,631</b>	<b>32,993</b>
<b>Private (Per Diem) <sup>2/</sup></b>									
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	-	400	400	-	400	400	-	400
Marana (\$59.35 in FY 2023 and FY 2024) <sup>3/</sup>	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
<b>Subtotal</b>	<b>10,606</b>	<b>562</b>	<b>11,168</b>	<b>10,606</b>	<b>562</b>	<b>11,168</b>	<b>10,106</b>	<b>562</b>	<b>10,668</b>
<b>Total - All beds <sup>4/</sup></b>	<b>39,153</b>	<b>5,216</b>	<b>44,369</b>	<b>38,968</b>	<b>5,193</b>	<b>44,161</b>	<b>38,468</b>	<b>5,193</b>	<b>43,661</b>
<b>State Prison Population</b>									
Male	21,143		21,143	21,650		21,650	22,325		22,325
Female	3,172		3,172	3,200		3,200	3,250		3,250
Subtotal	24,315		24,315	24,850		24,850	25,575		25,575
<b>Private Prison Population</b>									
Male	10,062		10,062	10,200		10,200	10,350		10,350
<b>Total Population <sup>5/6/</sup></b>	<b>34,377</b>		<b>34,377</b>	<b>35,050</b>		<b>35,050</b>	<b>35,925</b>		<b>35,235</b>
<b>Bed Surplus/(Shortfall)</b>									
Male	4,776		9,992	3,918		9,111	2,543		7,736
Female	3,623		8,710	2,793		7,857	1,468		6,532
Female	1,153		1,282	1,125		1,254	1,075		1,204
<b>Bed Surplus/(Shortfall) (% of Beds)</b>	<b>12%</b>		<b>23%</b>	<b>10%</b>		<b>21%</b>	<b>7%</b>		<b>18%</b>

<sup>1/</sup> Does not include (150) bed reduction planned by department in FY 2024 associated with space requirements of implementation of additional mental health beds.

<sup>2/</sup> 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, Kingman, Florence West and Phoenix West are management only.

<sup>3/</sup> The Marana contract expired December 31, 2023. While the prison does not currently house inmates, ADC has retained the 500 beds on its count sheet while this chart excludes them.

<sup>4/</sup> Excludes special use beds totaling 1,787 as of June 30, 2023.

<sup>5/</sup> The chart excludes prisoners awaiting transfer from county jail.

<sup>6/</sup> The chart reflects the actual inmate population at the end of FY 2023 and assumes a 2.0% population growth in FY 2024 over FY 2023 and 2.5% growth in FY 2025 over FY 2024.



SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Alcohol Abuse Treatment Fund (DCA2204/A.R.S. § 31-255)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The lesser of \$0.50 per hour or 67% of wages earned by inmates convicted of driving under the influence (DUI) offenses.		
<b>Purpose of Fund:</b> To provide alcohol abuse treatment and rehabilitation services for DUI inmates.		
<b>Funds Expended</b>	21,300	555,800
<b>Year-End Fund Balance</b>	2,060,200	1,854,900
<b>Arizona Correctional Industries Revolving Fund (DCA4002/A.R.S. § 41-1624)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sale of Arizona Correctional Industries (ACI) goods and services and interest earnings.		
<b>Purpose of Fund:</b> To compensate state employees and inmates employed at ACI; purchase materials for the manufacture of goods for resale, equipment, and supplies; maintain and repair ACI's buildings and equipment; and pay other associated ACI operational costs. A.R.S. § 41-1624 authorizes an annual \$1,000,000 transfer into the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
<b>Funds Expended</b>	53,384,900	52,333,500
<b>Year-End Fund Balance</b>	24,479,000	21,678,100
<b>Community Corrections Enhancement Fund (DCA2395/ARS § 31-418)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion (30%) of a monthly supervision fee of at least \$65 paid by the prisoner. The departments may require payment of a lesser amount.		
<b>Purpose of Fund:</b> To pay for costs related to community corrections.		
<b>Funds Expended</b>	1,037,400	810,000
<b>Year-End Fund Balance</b>	524,900	546,400
<b>Coronavirus State and Local Fiscal Recovery Fund (DCA2985/U.S. P.L. 117-2)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
<b>Purpose of Fund:</b> To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
<b>Funds Expended</b>	3,038,500	0
<b>Year-End Fund Balance</b>	0	0
<b>Corrections Fund (DCA2088/A.R.S. § 41-1641)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Luxury taxes on alcohol and tobacco products. The fund receives 20% of the monies collected from spirituous liquor and 50% of the monies collected from vinous and malt liquors are deposited in the Corrections Fund. A.R.S. § 42-3104 designates that the fund receive 50% of all general tax rate collections from the tax on tobacco products.		
<b>Purpose of Fund:</b> For the construction, major maintenance, lease-purchase or lease of correctional or state-operated juvenile facilities. The Legislature may also appropriate monies in this fund for the operation of these facilities. A.R.S. § 41-1641 authorizes an annual transfer of \$2,500,000 from the Corrections Fund to the Department of Corrections Building Renewal Fund. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
<b>Funds Expended</b>	30,663,100	31,312,500
<b>Year-End Fund Balance</b>	1,343,700	1,959,900
<b>Department of Corrections Building Renewal Fund (DCA2551/A.R.S. § 41-797)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies transferred annually from the following funds: Inmate Store Proceeds Fund (\$500,000), Special Services Fund (\$500,000), Arizona Correctional Industries Revolving Fund (\$1,000,000), and Corrections Fund (\$2,500,000). Also includes monies from a visitation background check fee and a 1% fee on inmate deposits. Expenditures from this fund are reported in the Capital section.		
<b>Purpose of Fund:</b> For capital projects and preventive maintenance (up to 8% of the annual expenditures).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,300,900	266,300

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Law enforcement related federal grants.		
<b>Purpose of Fund:</b> For inmate education and school breakfast and lunch programs. The amounts do not include General Fund reimbursements for the incarceration of illegal aliens from the State Criminal Alien Assistance Program.		
<b>Funds Expended</b>	17,035,900	16,762,100
<b>Year-End Fund Balance</b>	482,300	834,000
<b>Indirect Cost Recovery Fund (DCA9000/A.R.S. § 41-1604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges made to interagency agreements and monies transferred from the department's appropriated and non-appropriated funds.		
<b>Purpose of Fund:</b> To pay departmentwide administrative and overhead costs.		
<b>Funds Expended</b>	18,300	18,300
<b>Year-End Fund Balance</b>	2,674,300	3,938,900
<b>Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Profit resulting from the privatization of inmate stores.		
<b>Purpose of Fund:</b> To fund inmate education. Please see the Non-Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	4,639,800	1,287,800
<b>Year-End Fund Balance</b>	8,578,200	7,313,500
<b>Inmate Store Proceeds Fund (DCA2505/A.R.S. § 41-1604.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Profit resulting from the privatization of inmate stores.		
<b>Purpose of Fund:</b> For inmate activities, incentive pay increases for Corrections Officers, equipment to enhance safety for both department personnel and inmates or other official needs as required, at the discretion of the Director of ADC. A.R.S. § 41-1604.02 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund. Please see the Appropriated portion of the fund for additional information.		
<b>Funds Expended</b>	11,924,900	6,207,900
<b>Year-End Fund Balance</b>	8,578,200	7,313,500
<b>Interagency Service Agreement Fund (DCA2500/A.R.S. § 41-1604)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Intergovernmental agreements between ADC and other state and local entities.		
<b>Purpose of Fund:</b> To be used as specified in the grant or agreement.		
<b>Funds Expended</b>	4,784,100	2,407,700
<b>Year-End Fund Balance</b>	4,244,400	(1,185,400)
<b>Penitentiary Land Fund (DCA3140/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Interest on the Penitentiary Land Fund, as established through Arizona's Enabling Act, Section 25, and monies derived from the rental of these lands and property.		
<b>Purpose of Fund:</b> To provide a continuous source of monies for the benefit and support of state penitentiaries. The department uses appropriations from this fund for building maintenance.		
<b>Funds Expended</b>	2,764,500	2,743,600
<b>Year-End Fund Balance</b>	2,968,700	3,685,400
<b>Prison Construction and Operations Fund (DCA2504/A.R.S. § 41-1651)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Assessment (ranging from \$500 to \$1,500) paid by persons convicted of DUI offenses.		
<b>Purpose of Fund:</b> To pay for any costs related to prison overcrowding and department support and maintenance.		
<b>Funds Expended</b>	8,459,800	14,106,800
<b>Year-End Fund Balance</b>	19,670,000	8,567,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Special Services Fund (DCA3187/A.R.S. § 41-1604.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues that are generated by the inmate use of technology, including telephone systems, kiosks and tablets.		
<b>Purpose of Fund:</b> For the benefit, education, and welfare of committed offenders, and to pay the costs of implementing, operating and maintaining technologies and programs for inmate use. A major portion of the Special Services Fund is maintained in banks outside the state treasury system, and the transactions are not processed through the Arizona Financial Information System. As a result, the information for this fund is reported on an accrual accounting basis. A.R.S. § 41-1604.03 authorizes an annual \$500,000 transfer into the Department of Corrections Building Renewal Fund; this transfer is reported as an expenditure. This amount is reflected in the balance, but is not shown in expenditures to avoid double-counting.		
<b>Funds Expended</b>	8,070,900	10,350,500
<b>Year-End Fund Balance</b>	8,967,300	5,020,800
<b>State Charitable, Penal and Reformatory Institutions Land Fund (DCA3141/A.R.S. § 37-525)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Twenty-five percent of monies received from interest on the State Charitable, Penal, and Reformatory Institutions Land Fund, as established through Arizona's Enabling Act, Section 25; and 25% of monies derived from the rental of these lands and property.		
<b>Purpose of Fund:</b> To provide a continuous source of monies for the benefit and support of state penal institutions.		
<b>Funds Expended</b>	2,665,100	2,665,600
<b>Year-End Fund Balance</b>	3,106,500	3,987,600
<b>State DOC Revolving Fund (DCA2515/A.R.S. § 42-3106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives 3% of tax revenue collected on spirituous liquors and 7% of tax revenue collected on vinous and malt liquor.		
<b>Purpose of Fund:</b> To provide support for rehabilitation programs and counseling for inmates who have a history of substance abuse and are released on parole.		
<b>Funds Expended</b>	11,770,600	12,058,400
<b>Year-End Fund Balance</b>	3,918,200	2,318,100
<b>State Education Fund for Correctional Education (DCA2107/A.R.S. § 15-1372)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> "Basic State Aid" funding that ADC receives from the Arizona Department of Education based on the number of Average Daily Membership pupils attending ADC education programs pursuant to A.R.S. § 15-1372.		
<b>Purpose of Fund:</b> To provide education to inmates under the age of 18 years and inmates with disabilities who are age 21 or younger.		
<b>Funds Expended</b>	420,200	723,200
<b>Year-End Fund Balance</b>	647,800	132,400
<b>Statewide Employee Recognition Gifts/Donations Fund (DCA2449/A.R.S. § 41-709)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Gifts and donations from public and private entities.		
<b>Purpose of Fund:</b> For employee recognition programs that recognize and award the performance, achievement, longevity, or major life event of department employees.		
<b>Funds Expended</b>	170,800	187,300
<b>Year-End Fund Balance</b>	43,700	43,700
<b>Transition Program Fund (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Revenue from 5% allocation of wages (if available after other obligations) from inmates not convicted of DUI earning under \$2.00 per hour and from the cost savings from the implementation of a transition program as calculated by A.R.S. § 31-285. The source of revenue for the cost savings is the State DOC Revolving Fund that receives a share of tax revenue collected from liquor, and the expenditures of these monies are reported from this fund.		
<b>Purpose of Fund:</b> To pay for costs related to the administration of the Transition Program and for transition program services.		
<b>Funds Expended</b>	425,600	4,400,300
<b>Year-End Fund Balance</b>	14,221,000	15,416,400