

## Arizona Department of Corrections

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9,569.0	9,592.0	9,592.0
Personal Services	452,716,500	442,603,700	417,985,000
Employee Related Expenditures	158,103,100	258,766,600	248,460,400
Professional and Outside Services	12,974,300	10,869,200	10,869,200
Travel - In State	496,400	169,000	169,000
Travel - Out of State	244,000	48,300	48,300
Other Operating Expenditures	146,165,500	129,235,800	154,904,500
Equipment	1,844,600	16,768,300	16,768,300
<b>OPERATING SUBTOTAL</b>	<b>772,544,400</b>	<b>858,460,900</b>	<b>849,204,700 <sup>1/2/3/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Overtime and Compensatory Time <sup>4/</sup>	92,029,200	32,540,500	92,320,300 <sup>5/</sup>
Community Corrections	20,860,000	25,130,300	24,534,400
Private Prison Per Diem	269,454,500	273,716,800	273,126,400 <sup>6/7/</sup>
Inmate Health Care Contracted Services	315,559,500	376,978,900	380,978,900 <sup>8/9/</sup>
Substance Abuse Treatment	0	0	0
Inmate Dog Training	0 <sup>10/</sup>	0	0
Non-Contract Medication	4,131,500 <sup>11/12/</sup>	18,000,000 <sup>13/</sup>	15,000,000 <sup>14/</sup>
Injunction-Related IT Upgrades	683,500 <sup>15/</sup>	2,800,000	2,400,000 <sup>16/</sup>
Named Claimants	0	4,700	0
<b>AGENCY TOTAL</b>	<b>1,475,262,600</b>	<b>1,587,632,100</b>	<b>1,637,564,700 <sup>17/-23/</sup></b>
<b>FUND SOURCES</b>			
General Fund	1,418,456,800	1,518,922,800	1,574,113,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	28,000	555,800	555,800
Corrections Fund	31,312,500	31,312,500	35,787,600
Inmate Store Proceeds Fund	149,300	1,280,800	4,299,400
Penitentiary Land Fund	5,208,200	3,466,000	3,472,000 <sup>24/</sup>
Prison Construction and Operations Fund	14,106,800	12,576,100	12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	5,346,700	3,733,100	3,733,100 <sup>25/</sup>
State Education Fund for Correctional Education	112,300	736,400	703,200 <sup>26/</sup>
Transition Program Fund	542,000	15,048,600	2,400,300
SUBTOTAL - Other Appropriated Funds	56,805,800	68,709,300	63,451,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>1,475,262,600</b>	<b>1,587,632,100</b>	<b>1,637,564,700</b>
Other Non-Appropriated Funds	126,987,800	131,520,900	130,539,600
Federal Funds	14,021,300	8,754,800	6,049,400
<b>TOTAL - ALL SOURCES</b>	<b>1,616,271,700</b>	<b>1,727,907,800</b>	<b>1,774,153,700</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> The FY 2025 budget transfers \$75,000,000 in FY 2024 and \$40,000,000 annually beginning in FY 2025 from the Attorney General's opioid settlement monies to ADC's non-appropriated Opioid Remediation Fund. As ADC non-appropriated monies, these funds are not included in the Appropriated Funds displayed in this table.
- <sup>2/</sup> Of the amount appropriated in the operating lump sum, \$417,985,000 is designated for personal services and \$248,460,400 is designated for employee-related expenditures. The state department of corrections 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 Appropriations Act footnote, as adjusted for statewide allocations)

- 3/ After the state department of corrections 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 Appropriations Act footnote)
- 4/ Prior to FY 2025, Overtime and Compensatory Time costs were displayed in the operating budget. The FY 2024 amounts have been displayed as part of this new line item for comparability.
- 5/ The state department of corrections shall submit an expenditure plan for review by the joint legislative budget committee before spending monies appropriated for the overtime and compensatory time line item other than for personal services or employee-related expenditures. (General Appropriations Act footnote)
- 6/ The state department of corrections shall use the amount appropriated in the private prison per diem line item to pay private prison contractors for housing and providing medical care to Arizona inmates. Before spending these monies for any other purpose, the department shall submit an expenditure plan for review by the joint legislative budget committee. (General Appropriations Act footnote)
- 7/ Private prison vendors that contract with this state may use staff vacancy savings to pay for overtime costs without incurring a penalty or staffing offset. (General Appropriations Act footnote)
- 8/ 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 Appropriations Act footnote)
- 9/ On or before August 1, 2025 and February 1, 2026, 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 Appropriations Act footnote)
- 10/ The \$650,000 appropriated to the state department of corrections by Laws 2023, chapter 133, section 23, in fiscal year 2023-2024 for inmate dog training is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to the lapsing of appropriations. (General Appropriations Act footnote)
- 11/ The amount appropriated in the noncontract medication line item in fiscal year 2023-2024 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2024 footnote as added by the FY 2025 General Appropriations Act).
- 12/ The department may use the amount appropriated by Laws 2023, chapter 133, section 23, as amended by Laws 2024, chapter 209, section 8, in fiscal year 2023-2024 for noncontract medication to pay for fiscal year 2023-2024 department operating expenses without seeking review by the joint legislative budget committee. (General Appropriations Act footnote)
- 13/ Of the amount appropriated by Laws 2024, chapter 209, section 31 for the noncontract medication line item, up to \$9,500,000 may be used for the payment of obligations incurred in fiscal year 2023-2024 for the department's operating expenses. (General Appropriations Act footnote)
- 14/ The state department of corrections shall use the amount appropriated in the noncontract medication line item to purchase medications to treat hepatitis C and for medication assisted treatment for substance use disorder. Before spending these monies for any other purpose, the department shall submit an expenditure plan for review by the joint legislative budget committee. (General Appropriations Act footnote)
- 15/ The amount appropriated in the injunction-related IT upgrades line item in fiscal year 2023-2024 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2024 footnote as added by the FY 2025 General Appropriations Act).
- 16/ The amount appropriated in the injunction-related IT upgrades line item shall be used to address information technology improvements as required by the court in the *Jensen v. Thornell* inmate health care litigation. (General Appropriations Act footnote)
- 17/ Before placing any inmates in out-of-state provisional beds, the state department of corrections 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 Appropriations Act footnote)
- 18/ 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 Appropriations Act footnote)

- 19/ On or before November 1, 2025, 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, 2024 and June 30, 2025 and the projected capacity for June 30, 2026, 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. If the department develops a plan after the department's November 1, 2025 report to open or close one hundred 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 Appropriations Act footnote)
- 20/ On or before August 1, 2025, 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 2025-2026. (General Appropriations Act footnote)
- 21/ On or before December 15, 2025 and July 15, 2026, 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 Appropriations Act footnote)
- 22/ The department shall report actual fiscal year 2024-2025, estimated fiscal year 2025-2026 and requested fiscal year 2026-2027 expenditures as delineated in the prior year when the department submits its fiscal year 2026-2027 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriations Act footnote)
- 23/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 24/ 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 Appropriations Act footnote)
- 25/ 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 Appropriations Act footnote)
- 26/ Before spending any state education fund for correctional education monies in excess of \$703,200, the state department of corrections shall report the intended use of the monies to the director of the joint legislative budget committee. (General Appropriations Act footnote, as adjusted for statewide allocations)

### **Operating Budget**

The budget includes \$849,204,700 and 9,408 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	<b>FY 2026</b>
General Fund	\$832,118,200
Alcohol Abuse Treatment Fund	250,300
Corrections Fund	7,476,100
Inmate Store Proceeds Fund	4,299,400
Penitentiary Land Fund	692,800
Prison Construction and Operations Fund	2,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	1,164,600

State Education Fund for Correctional Education 703,200

Adjustments are as follows:

#### **Funding Realignment**

The budget includes an increase of \$37,431,200 and 3 FTE Positions from the General Fund in FY 2026 to realign the department's funding. (*See the FY 2026 GF Realignment section in Other Issues for more information.*)

#### **Software Contract Increases**

The budget includes an increase of \$3,233,200 in FY 2026 for software contract increases. This amount consists of:

Corrections Fund	1,964,400
Inmate Store Proceeds Fund	1,268,800

#### **One-Time ACIS Upgrades**

The budget includes a one-time increase of \$2,000,000 from the Corrections Fund in FY 2026 for upgrades to the Arizona Correctional Information System (ACIS).

#### **Cloud-based Data Warehouse**

The budget includes an increase of \$510,700 from the Corrections Fund in FY 2026 to implement and maintain a cloud-based data storage warehouse. Of this amount, \$165,900 is one-time.

#### **One-Time Kitchen Equipment Replacement**

The budget includes a one-time increase of \$1,535,300 from the Inmate Store Proceeds Fund in FY 2026 to replace kitchen equipment.

#### **One-Time Operating Funding**

The budget includes a one-time increase of \$9,488,500 and 23 FTE Positions from the General Fund in FY 2026 for department operating funding.

#### **One-Time Correctional Officer Stipend**

The budget includes a one-time increase of \$17,075,300 from the General Fund in FY 2026 for a one-time stipend for correctional officers equal to 4% of their annual salary.

#### **Statewide Adjustment**

The budget includes an increase of \$15,820,900 in FY 2026 for statewide adjustments. This amount consists of:

General Fund	\$15,633,600
Inmate Store Proceeds Fund	214,500
Penitentiary Land Fund	6,000
State Education Fund for Correctional Education	(33,200)

Of this amount, \$231,200 is for a 5% salary increase for AZPOST-certified staff. *(Please see the Agency Detail and Allocation section.)*

#### **Remove Department Administrative Shifts**

The budget includes a decrease of \$(5,295,400) from the General Fund in FY 2026 to reverse a shift made by the department in FY 2025. These FY 2025 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2025 to better display actual funding levels by line item. *(Please see Table 3 below for a full list of administrative shifts.)*

#### **Remove FY 2025 Supplemental Operating Increase**

The budget includes a decrease of \$(9,062,900) from the General Fund in FY 2026 to eliminate one-time FY 2025 supplemental funding for department operating costs.

#### **Remove FY 2025 Supplemental COTA Food Contract Funding**

The budget includes a decrease of \$(76,000) from the Prison Construction and Operations Fund in FY 2026 for the elimination of one-time FY 2025 supplemental funding associated with the increased food contract costs at the Correctional Officer Training Academy (COTA).

#### **Overtime Funding Shift**

The budget includes a decrease of \$(59,779,800) from the General Fund in FY 2026 to shift operating budget funding to the Overtime and Compensatory Time line item. ADC has historically shifted funding from regular personal services to overtime, due to the department's correctional officer vacancies generating savings in the agency's operating budget while also increasing the need for overtime to maintain adequate staffing levels.

In FY 2024, the budget included \$15,540,500 of funding for ADC overtime expenses. After the agency processed line item transfers during FY 2024, ADC ultimately reported overtime spending of \$92,029,200 in FY 2024.

The FY 2025 enacted budget retained the base level of \$15,540,500 for ADC overtime funding. As of October 2024, ADC had processed a transfer with the General Accounting Office to shift \$59,779,800 from the operating budget to the Overtime and Compensatory Time line item in FY 2025. To better align the budget with current ADC spending patterns, the budget includes this shift in FY 2026 by removing this amount from the ADC operating budget. *(Also see the Overtime and Compensatory Time line item below).*

#### **Remove One-Time Injunction-Related Staffing**

The budget includes a decrease of \$(6,800,000) and (23) FTE Positions from the General Fund in FY 2026 to remove one-time staffing funding to address injunction-related requirements. This funding was added in FY 2025, but the 3-year budget plan did not continue it beyond FY 2025.

#### **Remove One-Time Other Injunction Costs**

The budget includes a decrease of \$(2,688,900) from the General Fund in FY 2026 to remove one-time funding for injunction-related costs such as pest control and enhanced sanitation.

#### **Remove One-Time Food Contract Increase**

The budget includes a decrease of \$(12,648,300) in

FY 2026 from the Transition Program Fund to remove one-time funding for the increased cost of the new food contract.

#### **Overtime and Compensatory Time**

The budget includes \$92,320,300 from the General Fund in FY 2026 for Overtime and Compensatory Time.

Adjustments are as follows:

##### **Funding Realignment**

The budget includes an increase of \$17,000,000 from the General Fund in FY 2026 to realign the department's funding. *(See the FY 2026 GF Realignment section in Other Issues for more information.)*

##### **Overtime Funding Shift**

The budget includes an increase of \$59,779,800 from the General Fund in FY 2026 to shift operating budget funding to the Overtime and Compensatory Time line item. This aligns the budget with current ADC spending patterns. *(See the Operating Budget narrative above for more detail).*

##### **Remove Department Administrative Shifts**

The budget includes a decrease of \$(15,000,000) from the General Fund in FY 2026 to reverse a shift made by the department in FY 2025. These FY 2025 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2025 to better display actual funding levels by line item. *(Please see Table 3 below for a full list of administrative shifts.)*

##### **Remove One-Time Shift Deemed Reviewed**

The budget includes a decrease of \$(2,000,000) from the General Fund in FY 2026 to reverse a funding shift requested by the Department for FY 2025. In lieu of a meeting of the Joint Legislative Budget Committee, the budget deemed this shift favorably reviewed by the Committee (see Section 135 of the General Appropriations Act).

*Background* – Beginning with the FY 2025 budget, this line item funds overtime and compensatory time primarily for correctional officers to make up for vacant positions. FY 2024 actual expenditures for overtime are displayed in this line item instead of the operating budget.

#### **Community Corrections**

The budget includes \$24,534,400 and 184 FTE Positions in FY 2026 for Community Corrections. These amounts consist of:

General Fund	21,828,600
Alcohol Abuse Treatment Fund	305,500

Transition Program Fund	2,400,300
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Adjustments are as follows:

##### **Funding Realignment**

The budget includes a decrease of \$(3,950,000) from the General Fund in FY 2026 to realign the department's funding. *(See the FY 2026 GF Realignment section in Other Issues for more information)*

##### **Remove Department Administrative Shifts**

The budget includes an increase of \$3,150,000 from the General Fund in FY 2026 to reverse a shift made by the department in FY 2025. These FY 2025 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2025 to better display actual funding levels by line item. *(Please see Table 3 below for a full list of administrative shifts.)*

##### **Statewide Adjustment**

The budget includes an increase of \$204,100 from the General Fund in FY 2026 for statewide adjustments.

*Background* – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$24,534,400 in FY 2026 appropriated funds, ADC projects that they will utilize an additional \$6,283,300 in non-appropriated funds for these activities in FY 2026.

As of June 30, 2025, ADC has responsibility for 5,419 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 2024 expenditures from the line item.

<b>Table 1</b>			
<b>FY 2024 Community Corrections Program Expenditures</b>			
	<b>Approp.</b>	<b>Non-Approp.</b>	<b>Total</b>
Comm. Supervision	\$14,111,300	\$10,390,200	\$24,501,500
Transition Program	565,300	0	565,300
Maricopa Reentry	2,000,200	535,300	2,535,500
Pima Reentry	2,764,300	0	2,764,300
Mental Health	797,500	0	797,500
Transition Program			
Other/Overhead	621,400	0	621,400
<b>Total</b>	<b>\$20,860,000</b>	<b>\$10,925,500</b>	<b>\$31,785,500</b>

#### **Private Prison Per Diem**

The budget includes \$273,126,400 in FY 2026 for Private Prison Per Diem. This amount consists of:

General Fund	242,752,400
Corrections Fund	28,311,500
Penitentiary Land Fund	2,062,500

Adjustments are as follows:

#### **Funding Realignment**

The budget includes a decrease of \$(6,357,600) from the General Fund in FY 2026 to realign the department's funding. *(See the FY 2026 GF Realignment section in Other Issues for more information.)*

#### **One-Time Correctional Officer Stipend**

The budget includes a one-time increase of \$3,767,200 from the General Fund in FY 2026 for a one-time stipend for correctional officers equal to 4% of their annual salary.

#### **Remove One-Time Shift Deemed Reviewed**

The budget includes an increase of \$2,000,000 from the General Fund in FY 2026 to reverse a funding shift requested by the Department for FY 2025. In lieu of a meeting of the Joint Legislative Budget Committee, the budget deemed this shift favorably reviewed (Laws 2025, Chapter 233, Section 135).

**Background** – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,168 total contracted beds. The amount appropriated assumes a certain number of vacancies that typically occur during the course of the year. 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.

Of the current funding level, the FY 2025 budget's 3-year spending plan labeled \$55,283,500 (\$54,283,500 from the General Fund and \$1,000,000 from the Corrections Fund) as one-time and included that amount through FY 2027. As a result, the FY 2026 budget's long-term spending projections exclude this funding in FY 2028.

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

The budget includes \$380,978,900 in FY 2026 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	367,693,700
Penitentiary Land Fund	716,700
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory	2,568,500
Institutions Land Fund	

Adjustments are as follows:

#### **Funding Realignment**

The budget includes an increase of \$13,421,800 from the General Fund in FY 2026 to realign the department's funding. *(See the FY 2026 GF Realignment section in Other Issues for more information.)*

#### **Remove FY 2025 Supplemental Funding Shift**

The budget includes a decrease of \$(9,421,800) from the General Fund in FY 2026 to eliminate one-time FY 2025 supplemental funding for inmate health care.

**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 Issues section in*

the FY 2025 Baseline ADC section for additional information.)

The current contract does not include the cost of medications for either hepatitis C treatment and or medication-assisted treatment of substance use disorders (see the Non-Contract Medication line item below).

#### **Substance Abuse Treatment**

The budget includes no funding in FY 2026 for Substance Abuse Treatment. Adjustments are as follows:

##### **Remove Department Administrative Shifts**

The budget includes an increase of \$3,945,400 from the General Fund in FY 2026 to reverse a shift made by the department in FY 2025. These FY 2025 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2025 to better display actual funding levels by line item. (Please see Table 3 below for a full list of administrative shifts.)

##### **Funding Realignment**

The budget includes a decrease of \$(3,945,400) from the General Fund in FY 2026 to realign the department's funding. (See the FY 2026 GF Realignment section in Other Issues for more information.)

Prior to FY 2025, this line item provided ADC with specified funding for substance abuse treatment. This allocated funding for ADC programs to contract with private vendors to provide treatment. Beginning in FY 2025, ADC began funding substance abuse treatment from other sources in the department budget.

#### **Non-Contract Medication**

The budget includes \$15,000,000 from the General Fund in FY 2026 for Non-Contract Medication. Adjustments are as follows:

##### **Restore One-Time FY 2025 Ex-Appropriation**

The budget includes an increase of \$37,000,000 from the General Fund in FY 2026 to restore funding levels after the FY 2026 budget reduced the FY 2025 funding level.

##### **Funding Realignment**

The budget includes a decrease of \$(40,000,000) from the General Fund in FY 2026 to realign the department's funding. (See the FY 2026 GF Realignment section in Other Issues for more information.)

A General Appropriation Act footnote requires the department to use the amount appropriated in the non-

contract medication line item to purchase medications to treat hepatitis C and for medication-assisted treatment for substance use disorder. These costs are not part of the contract with the state's private health care provider (as funded in the Inmate Health Care Contracted Services line item).

#### **Injunction-Related IT Upgrades**

The budget includes \$2,400,000 from the General Fund in FY 2026 for Injunction-Related IT Upgrades. Adjustments are as follows:

##### **Remove Department Administrative Shifts**

The budget includes an increase of \$13,200,000 from the General Fund in FY 2026 to reverse a shift made by the department in FY 2025. These FY 2025 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2025 to better display actual funding levels by line item. (Please see Table 3 below for a full list of administrative shifts.)

##### **Funding Realignment**

The budget includes a decrease of \$(13,600,000) from the General Fund in FY 2026 to realign the department's funding. (See the FY 2026 GF Realignment section in Other Issues for more information.)

A General Appropriation Act footnote requires the department to use these monies to address information technology improvements as required by the court in the *Jensen v. Thornell* inmate health care litigation.

#### **Named Claimants**

The budget includes no funding in FY 2026 for Named Claimants. Adjustments are as follows:

##### **Removed One-Time Funding**

The budget includes a decrease of \$(4,744.67) from the General Fund in FY 2026 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 2026 GF Realignment
- FY 2025 Supplementals

- Statutory Changes
- Long-Term Budget Impacts
- Opioid Settlement Transfer
- Auditor General Report
- Transition Program
- Bed Capacity Issues
  - Inmate Growth Rate
  - Bed Capacity
  - Bed Surplus/Shortfall

### **FY 2026 GF Realignment**

The FY 2026 budget shifts the department's ongoing General Fund appropriations between the operating budget and several line item appropriations to realign funding levels with the department's needs. The shifts resulted in no net increase to the department's appropriation. Compared to the original FY 2025 budget, the FY 2026 budget shifts by line item are as follows:

Operating Budget	37,431,200
Overtime and Compensatory Time	17,000,000
Community Corrections	(3,950,000)
Private Prison Per Diem	(6,357,600)
Inmate Health Care Contracted Services	13,421,800
Substance Abuse Treatment	(3,945,400)
Non-Contract Medication	(40,000,000)
Injunction-Related IT Upgrades	(13,600,000)

Some of these shifts were also incorporated as FY 2025 supplemental revisions as described below and *Table 3*.

### **FY 2025 Supplementals**

The FY 2026 budget includes the following FY 2025 supplemental adjustments:

- \$9,062,900 from the General Fund for additional operating funding.
- \$9,421,800 from the General Fund for additional funding for the inmate health care contract.
- \$(37,000,000) from the General Fund to reduce the Non-Contract Medication line item appropriation.
- \$76,000 from the Prison Construction and Operations Fund for costs associated with the food contract at COTA.
- \$4,744.67 from the General Fund for a one-time named claimants appropriation.

### **Statutory Changes**

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

- As permanent law, requires counties to first establish an intergovernmental agreement with ADC prior to filing a claim for reimbursement of certain expenses. Upon receipt, requires ADC to file the claim with ADOA.
- As permanent law, increase the Corrections Officer Retirement Plan (CORP) Tier 3 DC employer contribution rate by 0.5% (to 5.5%). States that the legislature intends to fully cover the cost of this increase for agencies and local governments on an ongoing basis with a \$1 million appropriation beginning in FY 2027.

### **Long-Term Budget Impacts**

As part of the budget's 3-year spending plan, ADC General Fund costs are projected to decrease by \$(30,331,000) in FY 2027 below FY 2026 and \$(54,283,500) in FY 2028 below FY 2027.

These amounts are based on:

- A decrease of \$(20,842,500) in FY 2027 to remove one-time funding for a 4% correctional officer stipend.
- A decrease of \$(9,488,500) in FY 2027 to remove one-time operating funding.
- A decrease of \$(54,283,500) in FY 2028 to remove private prison funding labeled as one-time in the FY 2025 budget for replacements beds related to the closure of the Florence state prison and for contracted rates.

### **Opioid Settlement Transfer**

The FY 2025 budget included an FY 2024 supplemental that reduced the ADC operating General Fund appropriation by \$(75,000,000). The budget replaced that funding with a transfer of \$75,000,000 in opioid settlement funding from the Attorney General in FY 2024, resulting in no net change in overall funding to ADC.

The FY 2025 budget reduced the transfer of opioid settlement monies from the Attorney General to ADC from \$75,000,000 to \$40,000,000 beginning in FY 2025 and retains this funding on an ongoing basis.

The opioid settlement transfers are not displayed within the appropriated ADC budget as the transferred monies will be deposited in the non-appropriated ADC Opioid Remediation Fund established pursuant to A.R.S. § 35-142.



The budget continues an Attorney General footnote specifying that ADC shall use the opioid settlement funding only for past and current department costs for care, treatment, programs and other expenditures for individuals with opioid use disorder and any co-occurring substance use disorder or mental health conditions or for any other approved purposes as prescribed in a court order, a settlement agreement or the one Arizona distribution of opioid settlement funds agreement that is entered into by this state and other parties to the opioid litigation. *(Please see the Attorney General section for additional information.)*

### Auditor General Report

In July 2024, the Auditor General published its annual performance audit evaluating whether ADC met various statutory requirements. In terms of budget implications, the Auditor General found that in some instances inmates were not released to the Transition Program as required by statute, and as a result some inmates were in custody longer than required.

The Auditor General also found that the department had data discrepancies related to inmate programming similar to those identified in previous audits, which the report noted could require IT system updates. The department agreed to all of the Auditor General's findings and is implementing the recommendations.

### 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 these monies are transferred. ADC has transferred money from the State DOC Revolving Fund to meet this requirement. In FY 2024, the program saved a total of 341,846 bed days. In that same year, the Transition Program Fund received revenue of \$5,928,800 from all sources. Of this amount, \$5,811,400 came from the statutory \$17 transfer

and the remainder came from non-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 2024 were on average \$1.59 per inmate per day, or \$542,000 total.

### Bed Capacity Issues

#### Inmate Growth Rate

On June 30, 2025, the total inmate population was 35,551. This was an increase of 413 inmates from the June 30, 2024 population of 35,138. *Table 2* shows the year-end populations from FY 2020 to FY 2025.

Table 2

#### Year-End Population, FY 2020 - FY 2025

<u>Year</u>	<u>Population</u>
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371
FY 2023	34,377
FY 2024	35,138
FY 2025	35,551

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 38,593 public and private beds on June 30, 2024, a decrease of (560) beds since June 30, 2023. This reduction includes the elimination of (500) rated beds due to the closure of the Marana prison.
- 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 2024, the department decreased its total operating capacity by (560) beds, from 44,369 to 43,809.

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 1,792 as of June 30, 2024, an increase of 5 from June 30, 2023.

may not fully reflect system capacity. (Please see *Table 4 for more information.*)

#### Bed Surplus/Shortfall

At the end of FY 2024, the department had a total rated bed surplus of 3,455. After adjusting for the 5,216 temporary beds in the overall ADC system, the rated bed surplus became an 8,671-operating bed surplus. Because beds are divided by gender and security level, this figure

**Table 3**

	FY 2025 Revisions					FY 2025 Revised Appropriation
	FY 2025 Original	GF	GF	GF	OF	
	<u>Appropriation</u>	<u>Admin. Shift</u>	<u>Supplemental</u>	<u>Transfers</u>	<u>Supplemental</u>	
Operating Budget	844,026,600	5,295,400	9,062,900	-	76,000	858,460,900
Overtime and Compensation Time	15,540,500	15,000,000	-	2,000,000	-	32,540,500
Community Corrections	28,280,300	(3,150,000)	-	-	-	25,130,300
Private Prison Per Diem	275,716,800	-	-	(2,000,000)	-	273,716,800
Inmate Health Care	367,557,100	-	9,421,800	-	-	376,978,900
Contracted Services						
Substance Abuse Treatment	3,945,400	(3,945,400)	-	-	-	0
Non-Contract Medication	55,000,000	-	(37,000,000)	-	-	18,000,000
Injunction-Related IT Upgrades	16,000,000	(13,200,000)	-	-	-	2,800,000
Named Claimants	-	-	-	-	4,700	4,700

Table 4

## Fiscal Year-End Operating Capacity

State	FY 2024 Actual			FY 2025 Estimated			FY 2026 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	140	2,045	1,805	140	1,945	1,805	140	1,945
Eyman	4,493	2,211	6,704	4,493	2,139	6,632	4,493	2,139	6,632
Perryville	4,214	129	4,343	4,214	129	4,343	4,214	129	4,343
Phoenix	552	213	765	552	213	765	552	213	765
Lewis	5,104	879	5,983	4,960	879	5,839	4,960	879	5,839
Safford	1,703	160	1,863	1,703	160	1,863	1,703	160	1,863
Tucson	4,540	582	5,122	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>28,487</b>	<b>4,654</b>	<b>33,141</b>	<b>28,243</b>	<b>4,582</b>	<b>32,825</b>	<b>28,243</b>	<b>4,582</b>	<b>32,825</b>
<b>Private (Per Diem) <sup>1/</sup></b>									
Kingman (\$62.69)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$89.95)	400	-	400	400	-	400	400	-	400
Florence West (\$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>10,106</b>	<b>562</b>	<b>10,668</b>	<b>10,106</b>	<b>562</b>	<b>10,668</b>	<b>10,106</b>	<b>562</b>	<b>10,668</b>
<b>Total - All Beds <sup>2/</sup></b>	<b>38,593</b>	<b>5,216</b>	<b>43,809</b>	<b>38,349</b>	<b>5,144</b>	<b>43,493</b>	<b>38,349</b>	<b>5,144</b>	<b>43,493</b>
<b>State Prison Population</b>									
Male	22,212		22,212	22,600		22,600	22,900		22,900
Female	3,227		3,227	3,250		3,250	3,300		3,300
<b>Subtotal</b>	<b>25,439</b>		<b>25,439</b>	<b>25,850</b>		<b>25,850</b>	<b>26,200</b>		<b>26,200</b>
<b>Private Prison Population</b>									
Male	9,699		9,699	10,000		10,000	10,200		10,200
<b>Total Population <sup>3/4/</sup></b>	<b>35,138</b>		<b>35,138</b>	<b>35,850</b>		<b>35,850</b>	<b>36,400</b>		<b>36,400</b>
<b>Bed Surplus/(Shortfall)</b>									
	3,455		8,671	2,499		7,643	1,949		7,093
Male	2,357		7,444	1,524		6,539	1,024		6,039
Female	1,098		1,227	975		1,104	925		1,054
<b>Bed Surplus/(Shortfall) (% of Beds)</b>	<b>9%</b>		<b>20%</b>	<b>7%</b>		<b>18%</b>	<b>5%</b>		<b>16%</b>

<sup>1/</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. Kingman, Florence West and Phoenix West are management only.

<sup>2/</sup> Excludes special use beds totaling 1,792 as of June 30, 2024.

<sup>3/</sup> The chart excludes prisoners awaiting transfer from county jail.

<sup>4/</sup> The chart reflects the actual inmate population at the end of FY 2024 and assumes a 2.0% population growth in FY 2025 over FY 2024 and 1.5% growth in FY 2026 over FY 2025.