

State Department of Corrections

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,556.0	9,566.0	9,566.0 ^{1/}
Correctional Officer Personal Services	200,236,200	349,906,700	356,924,800
Health Care Personal Services	2,232,100	3,658,600	3,542,300
All Other Personal Services	46,295,300	69,100,600	66,575,700
Personal Services Subtotal	248,763,600	422,665,900	427,042,800
Employee Related Expenditures	146,671,400	270,775,800	272,708,300
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	59,877,800	15,540,500	15,540,500
Other Operating Expenditures			
Professional and Outside Services	7,912,900	9,188,000	9,201,800
Travel - In State	174,200	329,500	329,500
Travel - Out of State	87,100	104,000	104,000
Food	40,619,100	40,914,600	38,414,600
Other Operating Expenditures	101,864,500	109,161,700	127,812,100
Equipment	2,579,200	2,081,200	2,081,200
Other Operating Expenditures Subtotal	153,237,000	161,779,000	177,943,200
OPERATING SUBTOTAL	608,549,800 ^{2/}	870,761,200	893,234,800 ^{3/}
SPECIAL LINE ITEMS			
Community Corrections	14,685,400 ^{2/}	21,774,600	23,684,000
Private Prison Per Diem	162,484,100 ^{2/}	171,493,300	197,548,800
Inmate Health Care Contracted Services	127,697,000 ^{2/}	194,711,700	203,173,100 ^{4/}
Medical Staffing Augmentation	0	0	15,000,000 ^{5/6/}
Substance Abuse Treatment	0	0	5,000,600
Named Claimants	101,300	2,300	0
AGENCY TOTAL	913,517,600	1,258,743,100	1,337,641,300 ^{7/-14/}
FUND SOURCES			
General Fund	873,034,700 ^{2/}	1,205,398,500	1,284,302,300
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	274,100	555,500	555,700
Corrections Fund	30,312,200	30,312,300	30,312,400
Inmate Store Proceeds Fund	926,600	1,341,300	1,373,000
Penitentiary Land Fund	2,487,500	2,804,000	2,790,700 ^{15/}
Prison Construction and Operations Fund	2,499,800	12,500,000	12,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,661,500	2,661,800	2,663,700 ^{16/}
State Education Fund for Correctional Education	729,000	769,600	743,300 ^{17/}
Transition Program Fund	592,200	2,400,100	2,400,200
SUBTOTAL - Other Appropriated Funds	40,482,900	53,344,600	53,339,000
SUBTOTAL - Appropriated Funds	913,517,600	1,258,743,100	1,337,641,300
Other Non-Appropriated Funds	56,164,000	69,225,300	49,915,500
Federal Funds	298,512,300	10,630,400	10,576,700
TOTAL - ALL SOURCES	1,268,193,900	1,338,598,800	1,398,133,500

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 184 GF FTE Positions funded from Special Line Items in FY 2022.
- 2/ FY 2020 actual expenditures were partially offset by federal Coronavirus Relief Fund monies.
- 3/ Of the amount appropriated in the operating lump sum, \$427,042,800 is designated for personal services and \$272,708,300 is designated for employee-related expenditures. The department shall submit an expenditure plan to the joint legislative budget committee for review before spending these monies other than for personal services or employee-related expenditure, except that until January 1, 2023, if the department makes a transfer between two line items to maximize the use of federal monies, the department shall submit an expenditure plan that is not subject to review before spending those monies. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ 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)
- 5/ The \$15,000,000 appropriation from the state general fund for the medical staffing augmentation line item is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriation. (General Appropriation Act footnote)
- 6/ On or before December 15, 2021 and July 15, 2022, the state department of corrections shall submit a report to the joint legislative budget committee on the medical staffing augmentation line item. The report must include, at a minimum, the actual expenditures made to date by purpose and the expenditure plan for all remaining monies by purpose. (General Appropriation Act footnote)
- 7/ On or before August 1, 2021 and February 1, 2022, the state department of corrections shall submit a report to the joint legislative budget committee on the status of the performance measures tracked by the department as required by the *Parson v. Ryan* stipulation agreement, a copy of any court-ordered compliance reports filed by the department or a contracted provider during the reporting period and a copy of any report produced by a court-appointed monitor regarding the delivery of health services during each reporting period. Each report shall include the number of performance measures in total and by facility with which the department is not in substantial compliance, an explanation for why the department is not in substantial compliance and the department's plans to comply with the measures. The report shall also list the measures the department is no longer required to track as a result of compliance with the stipulation. (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, 2021, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee for review. 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, 2020 and June 30, 2021 and the projected capacity for June 30, 2022, 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 its November 1 report to open or close state-operated prison rated beds or cancel or not renew contracts for privately operated prison beds, the department shall submit a bed plan detailing the proposed bed closures for review by the joint legislative budget committee before implementing these changes. (General Appropriation Act footnote)
- 11/ On or before August 1, 2021, 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 2021-2022. (General Appropriation Act footnote)
- 12/ On or before December 15, 2021 and July 15, 2022, 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)

- 13/ On or before March 31, 2022, the state department of corrections, in cooperation with the Arizona strategic enterprise technology office, shall submit a report to the joint legislative budget committee on the progress made to incorporate all sentence calculations into the Arizona corrections information system. The report shall also include a detailed description of any other work needed to fully implement other system functions and the cost and staffing requirements to complete that work. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 15/ 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)
- 16/ 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)
- 17/ Before spending any state education fund for correctional education monies in excess of \$743,300, the state department of corrections shall report the intended use of the monies to the director of the joint legislative budget committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Summary

The budget increases the Arizona Department of Corrections (ADC)'s General Fund spending by \$78,903,800 in FY 2022 for:

- \$30,747,700 for a 5% correctional officer salary increase.
- \$28,000,000 for contract increases.
- \$18,650,200 for new private prison beds to replace lost beds resulting from the partial Florence prison closure.
- \$17,329,500 for radio replacements.
- \$15,000,000 for medical staffing augmentation.
- \$5,000,600 for substance abuse treatment.
- \$3,851,900 for ballistic and stab-proof vests.
- \$1,632,900 for salary increases to convert 286 correctional officer II staff to correctional corporals.
- \$1,300,000 for the mental health transition program.
- \$250,000 for the expansion of the braille transcription program.
- \$(2,300) for named claimants.
- \$(17,463,300) for the elimination of a prison lease-purchase payment.
- \$(25,393,400) for statewide adjustments.

Operating Budget

The budget includes \$893,234,800 and 9,382 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	FY 2022
General Fund	\$883,475,500
Alcohol Abuse Treatment Fund	250,200

Corrections Fund	3,000,900
Inmate Store Proceeds Fund	1,373,000
Penitentiary Land Fund	728,200
Prison Construction and Operations Fund	2,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,163,700
State Education Fund for Correctional Education	743,300

FY 2022 adjustments are as follows:

Correctional Officer Salary Increase

The budget includes an increase of \$28,664,300 from the General Fund in FY 2022 for the cost of a 5% correctional officer salary increase. For example, ADC reports that the average base pay for a Correctional Officer II (entry level position) was \$39,800 in FY 2021. This funding would increase that to about \$41,800. In total, this funding is estimated to provide a salary increase for 8,443 employees.

Radio Replacement

The budget includes a one-time increase of \$17,329,500 from the General Fund in FY 2022 for the cost of replacing radios. With this funding, ADC expects to replace all 8,182 of their current radios.

Ballistic and Stab-Proof Vests

The budget includes a one-time increase of \$3,851,900 from the General Fund in FY 2022 for the cost of new ballistic and stab-proof vests. ADC reports that this funding will replace 7,351 stab-proof vests and 294 ballistic vests to add to ADC's current inventory. Stab-proof vests are used by security and other staff working in maximum and close custody units, detention units, or during operations such as cell extractions, searches, and

moving inmates. Ballistic vests are used by security staff during major disturbances, transporting inmates, and during searches for escaped inmates.

Correctional Corporal Position

The budget includes an increase of \$1,632,900 from the General Fund in FY 2022 to convert 286 correctional officer II staff to correctional corporals. The corporal position would serve as the officer in charge of a prison unit. The average salary increase from correctional officer II to corporal will be \$3,400.

Braille Transcription Program Expansion

The budget includes an increase of \$250,000 from the General Fund in FY 2022 to expand the Braille Transcription Program. Of this amount, \$50,000 is for one-time equipment costs.

Community Corrections Funding Shift

The budget includes a decrease of \$(1,355,000) from the General Fund in FY 2022 for the operating budget. The budget shifts this funding to the Community Corrections Special Line Item to align appropriations with expenditures.

Florence Closure Savings

The budget includes a decrease of \$(3,246,600) from the General Fund in FY 2022 for operational savings resulting from the partial closure of the Florence prison. *(Please see the Florence Prison section in Other Issues for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(24,653,400) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(24,647,700)
Alcohol Abuse Treatment Fund	200
Corrections Fund	100
Inmate Store Proceeds Fund	31,700
Penitentiary Land Fund	(13,300)
State Charitable, Penal and Reformatory Institutions Land Fund	1,900
State Education Fund for Correctional Education	(26,300)

(Please see the Agency Detail and Allocations section.)

A General Appropriation Act footnote states that of the amount appropriated in the operating lump sum, \$427,042,800 is designated for Personal Services and \$272,708,300 is designated for Employee Related Expenditures. The department is required to submit an expenditure plan to the Joint Legislative Budget Committee for review before spending these monies

other than for Personal Services or Employee Related Expenditures. However, until January 1, 2023 if the department makes a transfer between two line items to maximize the use of federal monies, ADC is only required to submit to the Committee an expenditure plan which is not subject to review.

Community Corrections

The budget includes \$23,684,000 and 184 FTE Positions in FY 2022 for Community Corrections. These amounts consist of:

General Fund	20,978,300
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,200

FY 2022 adjustments are as follows:

Community Corrections Funding Shift

The budget includes an increase of \$1,355,000 from the General Fund in FY 2022 for Community Corrections. The budget shifts this funding from the operating budget to align appropriations with expenditures.

Mental Health Transition Program

The budget includes an increase of \$1,300,000 from the General Fund in FY 2022 for the mental health transition program. *(Please see the discussion below for additional detail on the Mental Health Transition Program)*

Statewide Adjustments

The budget includes a decrease of \$(745,600) in FY 2022 for statewide adjustments. This amount consists of:

General Fund	(745,700)
Transition Program Fund	100

Background – Monies in this line item are used to monitor offenders on community supervision or parole, operate 2 reentry centers, pay for the Transition Program, coordinate with other state parole offices, and provide electronic monitoring for certain offenders. In addition to the \$23,684,000 in FY 2022 appropriated funds, ADC projects that they will utilize an additional \$5,672,300 in non-appropriated funds for these activities in FY 2022.

As of June 30, 2021, ADC has responsibility for 5,047 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 majority of the line item funds the staffing costs for correctional officers that oversee offenders on community supervision and staffing for the Reentry Centers. The department also uses the appropriated monies for contracted drug testing, behavioral needs testing, and other programming. ADC utilizes additional non-appropriated monies for these costs as well.
- **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. Participants reside in homes or half-way houses across the state and receive substance abuse counseling and case management services. This program is funded by the Transition Program Fund, which receives revenue from a share of inmate wages and a required \$17 transfer from other ADC funds based on the number of bed days served by participants in a quarter. The funding included in the Community Corrections line item is dedicated to this programming. *(Please see the [Transition Program](#) section in Other Issues for more information.)*
- **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 to immediate return to custody, ADC operates the Maricopa Reentry Center (MRC) and the Pima Reentry Center (PRC), 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. ADC reported FY 2020 expenditures of \$1,988,900 for the Maricopa Reentry Center and \$3,135,200 for the Pima Reentry Center.
- **Mental Health Transition Program:** 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. The Mental Health Transition Program was created by the FY 2022 Criminal Justice Budget Reconciliation Bill (BRB).

Private Prison Per Diem

The budget includes \$197,548,800 in FY 2022 for Private Prison Per Diem. This amount consists of:

General Fund	168,174,800
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

FY 2022 adjustments are as follows:

Florence Replacement Beds

The budget includes an increase of \$25,435,400 from the General Fund in FY 2022 for new private prison beds to replace lost beds resulting from the partial Florence prison closure. *(Please see the Florence Prison section in Other Issues for more information.)*

Contract Increase

The budget includes an increase of \$16,000,000 from the General Fund in FY 2022 for contract increases to cover higher costs.

Correctional Officer Salary Increase

The budget includes an increase of \$2,083,400 from the General Fund in FY 2022 for the cost of a 5% private prison correctional officer salary increase.

2016 Refinance Payoff Savings - Kingman Prison

The budget includes a decrease of \$(17,463,300) from the General Fund in FY 2022 to remove the cost of paying debt service for the Kingman prison. The budget includes \$65,850,000 from the General Fund in FY 2021 appropriated to the Department of Administration to pay for the retirement or defeasance of the remaining Kingman lease-purchase agreement. *(Please see the Capital Outlay Debt and Lease Purchase Financing section for more information.)*

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 8,562 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. Two private prison contracts (Marana and Kingman) are solely for management services. The state owns the Marana facility outright. The Kingman facility is being lease-purchased by the state, but will be owned outright after the defeasance of the remaining agreement.

	<u>Approp.</u>	<u>Non-Approp.</u>	<u>Total</u>
Comm. Supervision	\$9,475,600	\$10,331,200	\$19,806,800
Transition	663,500	0	663,500
Pima Reentry	2,350,300	784,900	3,135,200
Maricopa Reentry	1,183,600	805,300	1,988,900
Other/Overhead	<u>1,012,300</u>	<u>1,100</u>	<u>1,013,400</u>
Total	\$14,685,300	\$11,922,500	\$26,607,800

Inmate Health Care Contracted Services

The budget includes \$203,173,100 in FY 2022 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	191,673,100
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

FY 2022 adjustments are as follows:

Contract Increases

The budget includes an increase of \$12,000,000 from the General Fund in FY 2022 for increased contract costs.

Florence Closure Savings

The budget includes a decrease of \$(3,538,600) from the General Fund in FY 2022 for assumed contract savings from a reduced state-prison inmate population resulting from the partial closure of the Florence prison.

Background – In June 2021, ADC exercised the first of 3 one-year extensions to the current contract for FY 2022. In addition, ADC and the vendor amended the contract to cap the vendor's liability for court-ordered sanctions and fees related to the *Parsons* litigation at \$2,000,000.

ADC also receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2021, the department received \$14,371,000 in Medicaid reimbursement, a higher-than-anticipated amount due to COVID-19-related expenditures and a temporarily higher federal match rate tied to the pandemic.

The line item funds the costs of the contract; ADC expenditures for monitoring the contracted services are included within the department's operating budget. A General Appropriation Act footnote continues to require review of any changes to the per diem. The current contract can be amended for changes to scope, and the vendor may request adjustments for inflation.

Medical Staffing Augmentation

The budget includes \$15,000,000 from the General Fund in FY 2022 for Medical Staffing Augmentation. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$15,000,000 from the General Fund in FY 2022 for additional flexible funding to address performance measures related to the

ongoing inmate healthcare litigation. This funding is non-lapsing.

A General Appropriation Act footnote requires ADC to submit a semiannual report including the actual expenditures made to date by purpose and the expenditure plan for all remaining monies by purpose.

Substance Abuse Treatment

The budget includes \$5,000,600 from the General Fund in FY 2022 for Substance Abuse Treatment. FY 2022 adjustments are as follows:

One-Time Funding

The budget includes a one-time increase of \$5,000,600 from the General Fund in FY 2022 to increase the substance abuse treatment capacity in the department by contracting with private vendors to provide services. According to ADC, this funding will allow treatment of about 5,500 inmates per year, or about 36.1% of the total inmates in need.

Named Claimants

The budget includes no funding in FY 2022 for Named Claimants. FY 2022 adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(2,329.50) from the General Fund in FY 2022 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 2021 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Transition Program
- Bed Capacity Issues
 - Inmate Growth Rate
 - Bed Capacity
 - Bed Surplus/Shortfall
- Correctional Officer Staffing
- Lewis/Yuma Lock, HVAC and Fire Safety Project
- COVID-Related Spending
- Auditor General Report
- Florence Prison
- AIMS Replacement

FY 2021 Supplemental

The FY 2022 budget includes a FY 2021 supplemental appropriation of \$2,329.50 from the General Fund for a one-time named claimants appropriation.

Statutory Changes

The Criminal Justice BRB makes the following statutory changes:

- As session law, continue to require the department to report actual FY 2021, estimated FY 2022, and requested FY 2023 expenditures as delineated in the prior year when the department submits its FY 2023 budget request pursuant to A.R.S. § 35-113.
- As permanent law, amend A.R.S. § 31-227 to permit counties to send prosecution-related invoices directly to the department for payment without the approval of the Executive or ADOA.
- As permanent law, establish a mental health transition pilot program in the Department of Corrections with a delayed repeal of June 30, 2026, and require ADC to place up to 500 inmates who have been diagnosed as seriously mentally ill and are eligible for AHCCCS benefits upon release in at least a 90-day program each year. Also requires ADC to study the recidivism of participants and submit an annual report by December 31.
- As permanent law, exempt correctional officers from jury duty. Current exemption authorized by the FY 2020 Criminal Justice BRB expires January 1, 2022.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADC's General Fund costs are projected to decrease by \$(38,787,300) in FY 2023 below FY 2022 and increase by \$7,226,800 in FY 2024 above FY 2023.

These estimates are based on:

- A decrease of \$(50,000) in FY 2023 to remove one-time equipment funding for the braille transcription program expansion.
- A decrease of \$(5,000,600) in FY 2023 to remove one-time funding for substance abuse treatment.
- A decrease of \$(15,000,000) in FY 2023 to remove one-time funding for medical staffing augmentation.
- A decrease of \$(17,329,500) in FY 2023 to remove one-time funding for radio replacements.
- A decrease of \$(3,851,900) in FY 2023 to remove one-time funding for new ballistic and stab-proof vests.

- An increase of \$2,444,700 in FY 2023 above FY 2022 and \$7,226,800 in FY 2024 above FY 2023 for increased costs of the Florence closure plan. The actual costs in FY 2023 and subsequent years will depend on the outcome of the procurement process. (Please see the Florence Prison section below for more information.)

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.

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 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 2020, the program saved a total of 65,917 bed days. In that same year, the Transition Program Fund received revenue of about \$3,700,800. According to ADC, the vendor costs to run the program in FY 2020 were on average \$10 per inmate per day. This cost to ADC has decreased compared to previous years due to a contract amendment with the vendor which requires them to first seek Medicaid/AHCCCS coverage prior to billing ADC.

No legislation to extend the Transition Program beyond its scheduled sunset date at the end of FY 2020 was passed in the 2020 Legislative Session. However, the Governor issued an Executive Order on July 1, 2020 authorizing the continuation of the program until March 31, 2021, or until action is taken by the Legislature to extend or terminate the program. Laws 2021, Chapter 173 extends the Transition Program through July 1, 2030.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2020, the total inmate population was 40,151. This was a decrease of (2,161) inmates since the June 30, 2019 population of 42,312. The population was 42,272 on February 28, 2020. *Table 2* shows the year-end populations from FY 2016 to FY 2021.

<u>Year</u>	<u>Population</u>
FY 2016	42,902
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021	35,993

The decline in the ADC population in FY 2020 and FY 2021 appears to be primarily due to the effects of the coronavirus. As a result of social distancing recommendations, Superior Courts suspended or delayed trials and seating juries beginning in March. Additionally, some counties may have temporarily suspended the transfer of inmates to state prisons after sentencing to inhibit the spread of the virus. As a result, the ADC population may increase once courts reopen and social distancing recommendations are relaxed.

The budget assumes the population will return to the February 28, 2020 pre-coronavirus levels of 42,272 in FY 2022. Actual population changes will depend on how soon courts resume normal operations and are able to address backlogged cases.

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 38,972 public and private beds on June 30, 2020, an increase of 100 from the 38,872 on June 30, 2019.
- 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 2020, the department increased its total operating capacity by 100 beds, from 45,091 to 45,191.

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 1,837 as of June 30, 2020, the same number in use on June 30, 2019.

(Please see the [April 2020 JLBC meeting agenda](#) for more information on ADC's bed capacity.)

Bed Surplus/Shortfall

At the end of FY 2020, the department had a total rated bed shortfall of (1,179). After adjusting for the 6,219 temporary beds in the overall ADC system, the rated bed shortfall became a 5,040-bed surplus. Male beds make up 4,566, or 91% of the surplus as shown in *Table 3*.

<u>Custody</u>	<u>FY 2020</u>
Minimum	2,415
Medium	828
Close	946
Maximum	234
Reception	<u>143</u>
Total	4,566

If the current bed capacity remains unchanged through FY 2022, and the inmate population returns to pre-coronavirus levels (February 28, 2020) by the end of FY 2022, the rated bed shortfall would be (3,300) and the operating capacity surplus would be 2,919 in FY 2022 as shown in *Table 7*. The department may be able to use temporary beds or reallocate beds to meet unanticipated growth.

Correctional Officer Staffing

The FY 2020 budget included an increase to ADC of \$35,479,300 for staff salary increases. Of that amount, about \$33,482,600 was for correctional officers (COs). In addition to that amount, ADC planned to utilize \$12,999,900 in existing vacancy savings for a total of \$46,482,500 in salary increases for COs. This amount was estimated to provide a 10% salary increase for all COs, including vacant positions, and increase the average base salary from \$39,300 to \$43,200 per year, excluding overtime.

The FY 2021 budget required ADC to set a benchmark for hiring CO positions. By June 2021, ADC is seeking to hire 364 new CO positions above their June 2020 staff level. Through March 2021, ADC had added a net of 18 COs relative to June 2020.

In order to maintain staffing levels in prisons, ADC utilizes overtime for existing officers. In May 2019, ADC raised the overtime cap from 24 hours to 32 hours per week to allow for additional overtime. ADC reported that the change resulted in a roughly 30% increase in average overtime worked per employee. On average, COs earned

Table 4

Lewis and Yuma Project Costs

	<u>Sept. 2019 Plan</u>	<u>July 2020 Plan</u>	<u>Difference</u>
Locks and Fire Systems ^{1/}	\$35,090,000	\$15,926,100	\$(19,163,900)
HVAC	16,310,000	18,522,400	2,212,400
New Facility Upgrades	0	7,817,500	7,817,500
Contingency	0	4,000,000	4,000,000
Total Project Costs	\$51,400,000	\$46,266,000	\$(5,134,000)

^{1/} The expenditure plan includes \$6,533,300 for previously purchased locks that will be repurposed.

\$10,000 in overtime in FY 2020. ADC projects average overtime earnings in FY 2021 will be \$9,200 per CO.

As discussed above, the budget includes \$15,540,500 for overtime costs, consistent with past budgets. However, ADC regularly exceeds this amount. In FY 2020, ADC reported \$59,877,800 in actual overtime expenditures.

Lewis/Yuma Lock, HVAC and Fire Safety Project

In April 2019 ADC identified locks, HVAC systems and fire alarm and suppression systems in the Lewis and Yuma prison complexes that need replacement.

ADC began work in May 2019 using non-appropriated monies. In June 2019, ADC initially estimated the total cost of the project would be \$45,869,500 over several years. By September 2019, ADC had revised the expenditure plan to \$51,400,000 due to higher-than-anticipated locking system and labor costs, sales taxes and insurance. Since September 2019, ADC has made several changes to the original project scope. The changes are as follows:

- New Locking Solution - ADC originally planned to install a 4-point rack and pinion system but has since opted for a simpler and less expensive detention-grade deadbolt for savings. However, prior to switching locks ADC had already received some of the original locking components, which reduced the savings. ADC plans to repurpose these locks for non-cell doors. The net impact of these changes reduced project costs by \$(19,163,900) compared to the September expenditure plan.
- Air Conditioning - ADC now plans to install air conditioning rather than evaporative cooling. ADC initially estimated this change would result in significant cost increases. But ADC now estimates the switch to air conditioning will cost \$2,212,400 above the September 2019 plan.
- New Facility Upgrades - ADC plans to upgrade the existing cell toilets at Lewis and Yuma to stainless steel toilet/sink combination units and to upgrade the light fixtures to ones that are less prone to tampering.

ADC estimates these upgrades will cost an additional \$7,817,500.

- Contingency - With the savings from lower-than-expected air conditioning costs, ADC set aside \$4,000,000 for project contingencies.

As of July 2020, ADC's expenditure plan has decreased by \$(5,134,000) compared to their September 2019 plan for a total budget of \$46,266,000. (See Table 4 for a cost comparison by project component.)

ADC has so far identified a total of \$24,000,000 in funding from non-appropriated sources for the project. The FY 2021 budget appropriated an additional \$30,000,000 (\$11,000,000 from the General Fund and \$19,000,000 from other funds) for total project funding of \$54,000,000. With current projects costs of \$46,266,000 the project has an estimated \$7,734,000 in surplus funding. The project is currently expected to run through August 2022.

COVID-Related Spending

In addition to COVID-related spending, the Executive has allocated monies from the federal Coronavirus Relief Fund to reimburse state agencies for public health and public safety expenditures. In FY 2020, ADC was reimbursed for a total of \$281,140,100 in expenditures. Of this amount, \$265,928,200 was for General Fund spending. This reduced spending increased the agency's General Fund revertment beyond what it would have otherwise been. The remaining \$15,211,900 of FY 2020 reimbursements offset non-General Fund spending. As a result, these fund balances were higher than they otherwise would have been. The budget utilizes these savings to partially pay for capital improvements to the Eyman prison. (Please see the Capital section for more information.)

ADC offset state funds in both the operating budget and special line items (see Table 5 for detail).

Table 5**ADC CRF Expenditures by Line Item (FY 2020)**

	<u>Amount</u>
Correctional Officer Personal Services	\$116,864,200
Health Care Personal Services	1,000,800
All Other Personal Services	25,494,900
Employee Related Expenditures	72,526,300
Other Operating Expenditures	<u>3,455,600</u>
<i>Operating Budget Subtotal</i>	<i>\$219,341,800</i>
Community Corrections	4,951,500
Private Prison Per Diem	722,100
Inmate Health Care Contracted Services	56,124,700
Total	<u>\$281,140,100</u>

(Please see the COVID-Related Spending Summary at the front of this book for more information).

Auditor General Report

In October 2020 the Auditor General published an ADC performance audit including findings regarding the department's capital funding and finances.

The report provided a history of ADC's capital funding requests and how those requests are changed before being presented to the Legislature. As a result, the report estimated that the department has \$125,000,000 in deferred maintenance costs.

The report also identified inconsistencies with the department's reconciling of inmate accounts and bank statement balances. ADC reports that the inconsistencies are the result of data issues with the new inmate management system implemented in November 2019.

The Auditor General recommended ADC:

- Continue to resolve data issues and complete inmate account reconciliation.
- Develop and implement a strategy and timeframe to resolve the outstanding unreconciled items.
- Retain all historical supporting documentation for each monthly reconciliation.

ADC agreed to the audit recommendations and planned to implement changes by December 2020.

For more information, see the Auditor General's [full report](#).

Florence Prison

The budget includes a net increase of \$18,650,200 from the General Fund in FY 2022 for the first-year costs of the

Executive's plan to close the Florence prison and partially replace the Florence beds with new private prison beds. The 3-year spending plan includes an additional \$2,444,700 in FY 2022 above FY 2022 and \$7,226,800 in FY 2024 above FY 2023.

The Executive plan includes several components:

- **Florence Closure Savings:** The Executive estimates that the closure of the entire Florence prison would result in savings of \$(20,055,200) in FY 2022, \$(40,110,500) in FY 2023 and \$(42,698,700) in FY 2024. This includes savings from reduced overtime, reduced healthcare costs, food, etc.
- **Remaining Florence Unit Costs:** The Executive plans to keep the Globe and Florence South units at least partially open through FY 2024 at a cost of \$13,270,000 in FY 2022 and FY 2023 and \$8,185,000 in FY 2024. Keeping these units operational reduces the closure savings estimates (described above) to \$(6,785,200) in FY 2022, \$(26,840,500) in FY 2023 and \$(34,513,700) in FY 2024. The Globe unit is a satellite unit with 250 beds for minimum security inmates. The South unit has operating capacity for 965 medium security inmates and currently houses sex offenders. After accounting for these units, the Executive's plan would eliminate (2,766) net beds.
- **Private Prison Bed Costs:** The Executive's plan would replace these beds with new private prison beds. The majority of these beds would come from a new private prison contract for 2,412 beds. The new private beds would be phased in over several years. In addition, the FY 2019 budget reduced ADC's budget by capping some of the private prison contracts at 97% of their total capacity. The Executive plan restores this funding to add an additional 294 beds. In total, the Executive plans to add 2,706 beds. The plan assumes these beds will cost \$25,435,400 in FY 2022, \$47,935,400 in FY 2023 and \$62,835,400 in FY 2024.

See *Table 6* for the full 3-year funding plan.

AIMS Replacement

The legislature appropriated a total of \$24,000,000 between FY 2014 - FY 2017 for the replacement of the Arizona Inmate Management System (AIMS). AIMS assists in the tracking, identification, population management, sentencing calculations, and the appeals and grievances processes for inmates in the correctional system. A contract was awarded to a vendor to oversee the modification of a commercial "off the shelf" system to fit the needs of ADC. Project costs included the off-the-shelf software, configuration, training, and equipment.

ADC went live with the AIMS replacement, the Arizona Corrections Information System (ACIS), on November 29, 2019.

ADC reported the final cost of ACIS was \$30,877,200. ADC utilized funding from their operating budget and the non-appropriated Indirect Cost Recovery Fund to cover the budget overruns.

At the May 2020 Information Technology Authorization Committee (ITAC) meeting, the department reported that the development of the project is complete, and they would move into a maintenance and operations contract with the vendor. The contract includes 10,000 hours annually for further development and maintenance as well as 10,000 hours one-time in FY 2021 to resolve outstanding issues. The committee requested that the department submit an informational report in spring 2021 to update the committee on the status of the project's

implementation in the first year and resolutions of outstanding system issues with the vendor, as well as provide a road map for the system.

In July 2020 ADOA reported that ACIS was complete. However, ADOA continued to label the project as "off-track" because the system requires manual workarounds. The project however is no longer open because the development phase is complete. ADOA is not required to report on the operations for closed projects.

Due to the ongoing system bugs, the budget amends an existing footnote to require ADC, in cooperation with the Arizona Strategic Enterprise Technology Office, to submit a report to the Joint Legislative Budget Committee on the progress made to incorporate all sentence calculations.

	FY 2022	FY 2023	FY 2024
<u>Florence Closure Savings</u>			
Overtime	\$(9,105,700)	\$(18,211,300)	\$(18,211,300)
Healthcare Population Reduction	(3,538,600)	(7,077,200)	(9,038,600)
Food	(2,284,100)	(4,568,300)	(4,568,300)
Operating Costs	(4,500,000)	(9,000,000)	(9,000,000)
Attrition Savings	<u>(626,800)</u>	<u>(1,253,700)</u>	<u>(1,880,500)</u>
<i>Florence Closure Savings Subtotal</i>	<i>\$(20,055,200)</i>	<i>\$(40,110,500)</i>	<i>\$(42,698,700)</i>
<u>Florence Open Unit Costs</u>			
Keep Globe Unit Open	\$3,100,000	\$3,100,000	\$3,100,000
Keep Florence South Unit Open	<u>10,170,000</u>	<u>10,170,000</u>	<u>5,085,000</u>
<i>Florence Open Unit Costs Subtotal</i>	<i>\$13,270,000</i>	<i>\$13,270,000</i>	<i>\$8,185,000</i>
Total Savings	\$(6,785,200)	\$(26,840,500)	\$(34,513,700)
<u>Private Prison Bed Costs</u>			
New Contract Beds (2,412*365*85) ^{1/}	\$22,400,000	\$44,900,000	\$59,800,000
Kingman Funding Restoration (210 beds)	1,410,400	1,410,400	1,410,400
Red Rock Funding Restoration (60 beds)	1,493,600	1,493,600	1,493,600
Red Rock Additional Capacity (24 beds)	<u>131,400</u>	<u>131,400</u>	<u>131,400</u>
<i>Private Prison Bed Costs</i>	<i>\$25,435,400</i>	<i>\$47,935,400</i>	<i>\$62,835,400</i>
Net Project Cost	\$18,650,200	\$21,094,900	\$28,321,700
Costs above prior year	-	\$2,444,700	\$7,226,800
^{1/} The full cost of the new contract beds will be phased in over at least 4 years. Based on the assumed \$85 per diem, the total cost once fully phased in would be \$74,832,300. The actual cost will depend on the results of the procurement process.			

Table 7

Fiscal Year-End Operating Capacity									
State	FY 2020 Actual			FY 2021 Estimate			FY 2022 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	343	2,248	1,905	343	2,248	1,905	343	2,248
Eyman	3,984	1,793	5,777	3,984	1,793	5,777	3,984	1,793	5,777
Florence	3,284	697	3,981	3,284	697	3,981	3,284	697	3,981
Perryville	4,214	141	4,355	4,214	141	4,355	4,214	141	4,355
Phoenix	552	168	720	552	168	720	552	168	720
Lewis	5,104	870	5,974	5,104	870	5,974	5,104	870	5,974
Safford	1,453	416	1,869	1,453	416	1,869	1,453	416	1,869
Tucson	4,600	493	5,093	4,600	493	5,093	4,600	493	5,093
Winslow	1,626	216	1,842	1,626	216	1,842	1,626	216	1,842
Yuma	4,350	420	4,770	4,350	420	4,770	4,350	420	4,770
Subtotal	31,072	5,557	36,629	31,072	5,557	36,629	31,072	5,557	36,629
Private (Per Diem)									
Kingman (\$41.78)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$51.00)	400	100	500	400	100	500	400	100	500
Marana (\$49.10)	500	-	500	500	-	500	500	-	500
Florence West (\$46.55 - 57.74)	600	150	750	600	150	750	600	150	750
Florence II (\$69.57)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$68.20)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
Subtotal ^{1/}	7,900	662	8,562	7,900	662	8,562	7,900	662	8,562
Total - All beds ^{2/}	38,972	6,219	45,191	38,972	6,219	45,191	38,972	6,219	45,191
State Prison Population									
Female	4,006		4,006	4,392		4,392	4,392		4,392
Male	28,532		28,532	29,628		29,628	29,628		29,628
Subtotal	32,538		32,538	34,020		34,020	34,020		34,020
Private Prison Population									
Male	7,613		7,613	8,252		8,252	8,252		8,252
Total Population ^{3/4/}	40,151		40,151	42,272		42,272	42,272		42,272
Bed Surplus/(Shortfall)									
	(1,179)		5,040	(3,300)		2,919	(3,300)		2,919
Male	(1,532)		4,546	(3,267)		2,811	(3,267)		2,811
Female	353		494	(33)		108	(33)		108
Bed Surplus/(Shortfall) (% of Beds)	-3%		11%	-8%		6%	-8%		6%

^{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 1,837 as of June 30, 2020.

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

^{4/} The chart assumes the inmate population in FY 2022 and FY 2023 returns to pre-COVID pandemic levels of February 28, 2020.