

## State Department of Corrections

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	9,556.0	9,566.0	9,566.0 <sup>1/</sup>
Correctional Officer Personal Services	200,236,200	349,906,700	349,858,100
Health Care Personal Services	2,232,100	3,658,600	3,658,600
All Other Personal Services	46,295,300	69,100,600	69,100,600
<b>Personal Services Subtotal</b>	<b>248,763,600</b>	<b>422,665,900</b>	<b>422,617,300</b>
<b>Employee Related Expenditures</b>	<b>146,671,400</b>	<b>270,775,800</b>	<b>270,333,600</b>
<b>Personal Services and Employee Related Expenditures for Overtime/Compensatory Time</b>	<b>59,877,800</b>	<b>15,540,500</b>	<b>15,540,500</b>
<b>Other Operating Expenditures</b>			
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	40,914,600
Other Operating Expenditures	101,864,500	109,161,700	108,283,700
Equipment	2,579,200	2,081,200	2,081,200
<b>Other Operating Expenditures Subtotal</b>	<b>153,237,000</b>	<b>161,779,000</b>	<b>160,914,800</b>
<b>OPERATING SUBTOTAL</b>	<b>608,549,800 <sup>2/</sup></b>	<b>870,761,200</b>	<b>869,406,200 <sup>3/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
Community Corrections	14,685,400 <sup>2/</sup>	21,774,600	23,129,600
Private Prison Per Diem	162,484,100 <sup>2/</sup>	171,493,300	171,493,300 <sup>4/</sup>
Inmate Health Care Contracted Services	127,697,000 <sup>2/</sup>	194,711,700	194,711,700 <sup>5/</sup>
Named Claimants	101,300	0	0
<b>AGENCY TOTAL</b>	<b>913,517,600</b>	<b>1,258,740,800</b>	<b>1,258,740,800 <sup>6/-13/</sup></b>
<b>FUND SOURCES</b>			
General Fund	873,034,700 <sup>2/</sup>	1,205,396,200	1,205,396,200
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	274,100	555,500	555,500
Corrections Fund	30,312,200	30,312,300	30,312,300
Inmate Store Proceeds Fund	926,600	1,341,300	1,341,300
Penitentiary Land Fund	2,487,500	2,804,000	2,804,000 <sup>13/</sup>
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	2,661,800 <sup>14/</sup>
State Education Fund for Correctional Education	729,000	769,600	769,600 <sup>15/</sup>
Transition Program Fund	592,200	2,400,100	2,400,100
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>40,482,900</b>	<b>53,344,600</b>	<b>53,344,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>913,517,600</b>	<b>1,258,740,800</b>	<b>1,258,740,800</b>
Other Non-Appropriated Funds	56,164,000	69,225,300	49,915,500
Federal Funds	298,512,300	10,630,400	10,576,700
<b>TOTAL - ALL SOURCES</b>	<b>1,268,193,900</b>	<b>1,338,596,500</b>	<b>1,319,233,000</b>
<b>AGENCY DESCRIPTION</b> — 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, \$422,617,300 is designated for personal services and \$270,333,600 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 expenditures. (General Appropriation Act footnote)
- 4/ Of the amount appropriated for the private prison per diem line item, \$17,468,300 shall be used to make a debt service payment on the financing agreement authorized by Laws 2016, chapter 119, section 24. (General Appropriation Act footnote)
- 5/ 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)
- 6/ 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. The 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)
- 7/ 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)
- 8/ 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)
- 9/ On or before August 1, 2021, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee for its 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 THEM FROM THE BED COUNT. If the department develops a plan after its August 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)
- 10/ 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)
- 11/ On or before August 31, 2021, and on or before the last day of November, February and May in fiscal year 2021-2022, the state department of corrections shall present a report for review by the joint legislative budget committee on the progress made in meeting the staffing needs for correctional officers. The report due on August 31, 2021 shall include the department's recommended benchmarks through June 30, 2022 and how the department plans to reach those benchmarks. Each quarterly 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 during the quarter. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)

- 12/ ~~Any monies used to replace the adult inmate management system are subject to review by The Arizona strategic enterprise technology office and the information technology authorization committee pursuant to section 18-121, Arizona Revised Statutes.~~ SHALL REPORT ANY PROJECT EXPENDITURES TO REPLACE THE ARIZONA INMATE MANAGEMENT SYSTEM OR MODIFY ITS REPLACEMENT SYSTEM TO THE JOINT LEGISLATIVE BUDGET COMMITTEE BY NOVEMBER 1 FOR THE PRIOR FISCAL YEAR. (General Appropriation Act footnote) *(See Other Issues section for discussion of the footnote changes.)*
- 13/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 14/ 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)
- 15/ 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)
- 16/ Before spending any state education fund for correctional education monies in excess of \$769,600, 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 includes no change to the Arizona Department of Corrections (ADC)'s total General Fund spending in FY 2022.

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.

### Operating Budget

The Baseline includes \$869,406,200 and 9,382 FTE Positions in FY 2022 for the operating budget. These amounts consist of:

	<b>FY 2022</b>
General Fund	\$859,641,200
Alcohol Abuse Treatment Fund	250,000
Corrections Fund	3,000,800
Inmate Store Proceeds Fund	1,341,300
Penitentiary Land Fund	741,500
Prison Construction and Operations Fund	2,500,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,161,800
State Education Fund for Correctional Education	769,600

FY 2022 adjustments are as follows:

#### Community Corrections Funding Shift

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

A General Appropriation Act footnote states that of the amount appropriated in the operating lump sum, \$422,617,300 is designated for Personal Services and \$270,333,600 is designated for Employee Related

### Community Corrections

The Baseline includes \$23,129,600 and 184 FTE Positions in FY 2021 for Community Corrections. These amounts consist of:

General Fund	20,424,000
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,100

FY 2022 adjustments are as follows:

#### Community Corrections Funding Shift

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

*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 \$23,129,600 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 December 18, 2020, ADC has responsibility for 5,045 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.

Table 1

**FY 2020 Community Corrections Program Expenditures**

	<b>Approp.</b>	<b>Non-Approp.</b>	<b>Total</b>
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>
<b>Total</b>	<b>\$14,685,300</b>	<b>\$11,922,500</b>	<b>\$26,607,800</b>

**Private Prison Per Diem**

The Baseline includes \$171,493,300 in FY 2022 for Private Prison Per Diem. This amount consists of:

General Fund	142,119,300
Corrections Fund	27,311,500
Penitentiary Land Fund	2,062,500

These amounts are unchanged from FY 2021.

**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. In order to more accurately display the level of spending related to private prison facilities, the \$17,468,300 FY 2022 debt service amount paid by the state is shown in the Private Prison Per Diem line item rather than in the department's operating budget.

**Inmate Health Care Contracted Services**

The Baseline includes \$194,711,700 in FY 2022 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	183,211,700
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,500,000

These amounts are unchanged from FY 2021.

**Background** – The contract is based on a fixed inmate population of 33,777 and guarantees the vendor approximately \$205,000,000 per year. In addition to the appropriated funds, ADC also receives reimbursement from Medicaid for the costs of outside health care that can be utilized to pay vendor costs. In FY 2020, the department received \$13,690,200 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 Baseline assumes ADC will receive \$10,000,000 in Medicaid reimbursement in FY 2022.

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.

### ***Other Issues***

This section includes information on the following topics:

- Statutory Changes
- 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

### ***Statutory Changes***

The Baseline would, 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.

### ***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 AOC, 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.

### ***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.

<b>Table 2</b>	
<b>Year-End Population, FY 2016 - FY 2021</b>	
<u><b>Year</b></u>	<u><b>Population</b></u>
FY 2016	42,902
FY 2017	42,200
FY 2018	42,113
FY 2019	42,312
FY 2020	40,151
FY 2021 (as of December 18, 2020)	37,883

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 Baseline 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*.

Table 3	
Male Operational Bed Capacity	
June Surplus/(Shortfall)	
<u>Custody</u>	<u>FY 2020</u>
Minimum	2,415
Medium	828
Close	946
Maximum	234
Reception	143
<b>Total</b>	<b>4,566</b>

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 6*. 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 October 2020, ADC had added a net of 107 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 \$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 Baseline 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

Table 4

## Lewis and Yuma Project Costs

	<u>Sept. 2019 Plan</u>	<u>July 2020 Plan</u>	<u>Difference</u>
Locks and Fire Systems <sup>1/</sup>	\$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
<b>Total Project Costs</b>	<b>\$51,400,000</b>	<b>\$46,266,000</b>	<b>\$(5,134,000)</b>

<sup>1/</sup> The expenditure plan includes \$6,533,300 for previously purchased locks that will be repurposed.

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 are higher than they otherwise would have been. While these savings could potentially be transferred to the General Fund in FY 2021, the Baseline does not include these transfers as part of its overall revenue estimate pending further legislative consideration. The projected FY 2021 ending fund balance for the Prison Construction and Operations Fund is less than the federal reimbursement, so the state may not be able to transfer all of these reimbursements to the General Fund.

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	3,455,600
<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
<b>Total</b>	<b>\$281,140,100</b>

(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 plans to implement changes by December 2020.

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

### **Florence Prison**

The Executive's FY 2021 budget proposal released in January 2020 included a plan to close the Florence prison beginning in FY 2021. However, the enacted FY 2021 budget did not include funding to close Florence. The Florence prison has a total operating capacity of 3,981.

However, in response to the population decline during the pandemic, ADC deactivated the Florence North Unit at the beginning of FY 2021. The North Unit is a male minimum security unit with an operating capacity of 996 beds.

ADC has also reported it plans to vacate the Florence Central Unit. The Florence Central Unit is a close-custody unit with an operating capacity of 804 beds (of which 97 are death row beds).

The Florence prison has a total operating capacity of 3,981. With the deactivation of the North and Central Units, the Florence operating capacity would be reduced by (54.8)% to 2,181.

The Florence Central Unit also houses the execution facilities for the state. The Executive has not provided a plan for these facilities or for the future of the rest of the Florence Prison.

ADC plans to move the inmates currently in the Florence Central Unit to the Lewis Morey Unit which is currently

being renovated as part of the lock, HVAC and fire system project. The Lewis Morey Unit is also a close-custody unit with an operating capacity of 800 beds and is scheduled for completion in January 2021.

### **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 the AIMS project was complete. However, ADOA continued to label the project as "off-track" because the system still has critical bugs that require manual workarounds.

Due to the ongoing system bugs, the Baseline would amend an existing footnote to require the Arizona Strategic Enterprise Technology Office to report all expenditures for the prior fiscal year for system modifications to the Joint Legislative Budget Committee by November 1 of each year.



Table 6

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
<b>Subtotal</b>	<b>31,072</b>	<b>5,557</b>	<b>36,629</b>	<b>31,072</b>	<b>5,557</b>	<b>36,629</b>	<b>31,072</b>	<b>5,557</b>	<b>36,629</b>
<b>Private (Per Diem)</b>									
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
<b>Subtotal <sup>1/</sup></b>	<b>7,900</b>	<b>662</b>	<b>8,562</b>	<b>7,900</b>	<b>662</b>	<b>8,562</b>	<b>7,900</b>	<b>662</b>	<b>8,562</b>
<b>Total - All beds <sup>2/</sup></b>	<b>38,972</b>	<b>6,219</b>	<b>45,191</b>	<b>38,972</b>	<b>6,219</b>	<b>45,191</b>	<b>38,972</b>	<b>6,219</b>	<b>45,191</b>
<b>State Prison Population</b>									
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
<b>Subtotal</b>	<b>32,538</b>		<b>32,538</b>	<b>34,020</b>		<b>34,020</b>	<b>34,020</b>		<b>34,020</b>
<b>Private Prison Population</b>									
Male	7,613		7,613	8,252		8,252	8,252		8,252
<b>Total Population <sup>3/4/</sup></b>	<b>40,151</b>		<b>40,151</b>	<b>42,272</b>		<b>42,272</b>	<b>42,272</b>		<b>42,272</b>
<b>Bed Surplus/(Shortfall)</b>									
Male	(1,179)		5,040	(3,300)		2,919	(3,300)		2,919
Female	(1,532)		4,546	(3,267)		2,811	(3,267)		2,811
	353		494	(33)		108	(33)		108
<b>Bed Surplus/(Shortfall) (% of Beds)</b>	<b>-3%</b>		<b>11%</b>	<b>-8%</b>		<b>6%</b>	<b>-8%</b>		<b>6%</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. Marana and Kingman are management only.

<sup>2/</sup> Excludes special use beds totaling 1,837 as of June 30, 2020.

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

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

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 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>	274,100	555,500
<b>Year-End Fund Balance</b>	1,232,100	1,083,100
<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>	44,364,700	32,459,000
<b>Year-End Fund Balance</b>	12,965,800	6,706,800
<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. Laws 2012, Chapter 208 permits the department to implement a fee for participation in a drug testing program; the department has not yet implemented the fee.		
<b>Purpose of Fund:</b> To pay for costs related to community corrections.		
<b>Funds Expended</b>	375,100	405,000
<b>Year-End Fund Balance</b>	464,000	473,100
<b>Coronavirus Relief Fund (DCA2975/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received by the state from the federal COVID-19 response legislation. Arizona received \$1.86 billion from the Coronavirus Relief Fund established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act based on the state's share of the population.		
<b>Purpose of Fund:</b> Monies are allocated by the Governor to supplement costs of the state's COVID-19 response, including necessary expenditures incurred by the state due to the public health emergency from March 1, 2020 to December 30, 2020.		
<b>Funds Expended</b>	281,140,100	0
<b>Year-End Fund Balance</b>	0	0
<b>Corrections Donations Fund (DCA3147/A.R.S. § 41-1605)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private grants and monies received from the disposal of donated properties.		
<b>Purpose of Fund:</b> To be used as specified by the particular donation.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	6,100	6,100
<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>	30,312,200	30,312,300
<b>Year-End Fund Balance</b>	7,940,700	2,558,200

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<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>	4,320,200	778,400
<b>Federal Funds (DCA2000/A.R.S. § 35-142 and A.R.S. § 41-1605)</b>		<b>Non-Appropriated</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>	17,372,200	10,630,400
<b>Year-End Fund Balance</b>	(572,800)	28,100
<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>	1,236,800	275,900
<b>Year-End Fund Balance</b>	3,093,500	3,510,800
<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>	926,600	1,341,300
<b>Year-End Fund Balance</b>	6,931,700	6,610,100
<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>	8,971,100	3,411,900
<b>Year-End Fund Balance</b>	6,931,700	6,610,100
<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>	(15,358,900)	19,346,700
<b>Year-End Fund Balance</b>	19,308,300	1,400
<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>	2,487,500	2,804,000
<b>Year-End Fund Balance</b>	3,359,500	1,112,400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<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>	2,499,800	12,500,000
<b>Year-End Fund Balance</b>	10,673,900	8,173,900
<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>	12,444,700	10,233,100
<b>Year-End Fund Balance</b>	7,278,800	6,101,500
<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>	2,661,500	2,661,800
<b>Year-End Fund Balance</b>	3,147,000	1,009,900
<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>	4,021,700	2,983,700
<b>Year-End Fund Balance</b>	1,853,200	2,724,300
<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>	729,000	769,600
<b>Year-End Fund Balance</b>	608,900	325,100
<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>	108,800	110,000
<b>Year-End Fund Balance</b>	78,400	88,400

SUMMARY OF FUNDS	FY 2020 Actual	FY 2021 Estimate
<b>Transition Program Fund</b> (DCA2379/A.R.S. § 31-284 and A.R.S. § 31-254)		<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>	592,200	2,400,100
<b>Year-End Fund Balance</b>	6,088,000	6,155,500