

Arizona Department of Corrections

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,569.0	9,569.0	9,592.0 ^{1/}
Personal Services	433,172,000	421,645,800	453,153,200
Employee Related Expenditures	207,401,600	203,757,000	241,933,800
Professional and Outside Services	14,155,400	10,616,700	23,265,000
Travel - In State	509,100	480,900	480,900
Travel - Out of State	93,000	74,900	74,900
Food	37,436,300	47,646,900	38,588,800
Other Operating Expenditures	96,937,400	98,587,500	85,494,400
Equipment	12,449,300	1,035,600	1,035,600
OPERATING SUBTOTAL	802,154,100	783,845,300 ^{2/}	844,026,600 ^{2/3/4/}
SPECIAL LINE ITEMS			
Overtime and Compensatory Time ^{5/}	96,990,900	15,540,500	15,540,500 ^{6/}
Community Corrections	23,969,100	24,729,300 ^{7/}	28,280,300
Private Prison Per Diem	231,096,700	270,069,200	275,716,800 ^{8/9/}
Inmate Health Care Contracted Services	265,507,600	333,223,300	367,557,100 ^{10/11/}
Medical Staffing Augmentation	11,227,900	0	0
Substance Abuse Treatment	759,200	3,026,800	3,945,400
One-Time Vehicle Purchase	3,804,800	0	0
Transitional and Reentry Housing	0	5,000,000	0
Transitional Housing Grants	0	2,000,000	0
Inmate Dog Training	0	650,000	0
Non-Contract Medication	0	40,746,500 ^{12/}	55,000,000 ^{13/}
Injunction-Related IT Upgrades	0	4,770,300 ^{14/}	16,000,000 ^{15/}
Named Claimants	0	12,100	0
AGENCY TOTAL	1,435,510,300	1,483,613,300	1,606,066,700 ^{16/-23/}
FUND SOURCES			
General Fund	1,385,450,900	1,420,670,200	1,537,433,400
<u>Other Appropriated Funds</u>			
Alcohol Abuse Treatment Fund	21,300	555,800	555,800
Corrections Fund	30,663,100	31,312,500	31,312,500
Inmate Store Proceeds Fund	4,639,800	1,287,800	1,280,800
Penitentiary Land Fund	2,764,500	5,209,200	3,466,000 ^{24/}
Prison Construction and Operations Fund	8,459,800	14,106,800	12,500,100
State Charitable, Penal and Reformatory Institutions Land Fund	2,665,100	5,347,500	3,733,100 ^{25/}
State Education Fund for Correctional Education	420,200	723,200	736,400 ^{26/}
Transition Program Fund	425,600	4,400,300	15,048,600
SUBTOTAL - Other Appropriated Funds	50,059,400	62,943,100	68,633,300
SUBTOTAL - Appropriated Funds	1,435,510,300	1,483,613,300	1,606,066,700
Other Non-Appropriated Funds	91,161,900	84,373,600	78,943,600
Federal Funds	20,074,400	16,762,100	8,684,400
TOTAL - ALL SOURCES	1,546,746,600	1,584,749,000	1,693,694,700

AGENCY DESCRIPTION — The Arizona Department of Corrections (ADC) maintains and administers a statewide system of prisons for adult and minor offenders legally committed to the department. The department is also responsible for the supervision of offenders on parole and other prison release mechanisms, as specified by law.

FOOTNOTES

- 1/ Includes 187 GF FTE Positions funded from Special Line Items in FY 2025.
- 2/ The FY 2025 budget transfers \$75,000,000 in FY 2024 and \$40,000,000 in FY 2025 from the Attorney General's opioid settlement monies to ADC's non-appropriated Opioid Remediation Fund. As ADC non-appropriated monies, these funds are not included in this table.
- 3/ Of the amount appropriated in the operating lump sum, \$453,153,200 is designated for personal services and \$241,933,800 is designated for employee-related expenditures. The department shall submit an expenditure plan for review by the joint legislative budget committee before spending these monies other than for personal services or employee-related expenditures. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 4/ After the department submits an expenditure plan to the joint legislative budget committee, the department may transfer personal services and employee-related expenditures savings from the operating budget to the private prison per diem line item for private prison staff stipends. The amount of any private prison staff stipend may not exceed the amount given to department staff. The expenditure plan is not subject to review by the joint legislative budget committee. (General Appropriation Act footnote)
- 5/ Prior to FY 2025, Overtime and Compensatory Time costs were displayed in the operating budget. The FY 2023 and FY 2024 amounts have been displayed as part of this new line item for comparability.
- 6/ The department shall submit an expenditure plan for review by the joint legislative budget committee before spending monies appropriated for the overtime and compensatory time line item other than for personal services or employee-related expenditures. (General Appropriation Act footnote)
- 7/ The department may spend the \$2,000,000 appropriated by Laws 2022, chapter 313, section 23 for the community treatment program for imprisoned women line item on community corrections line item expenditures in fiscal year 2023-2024. (FY 2024 footnote as added by the FY 2025 General Appropriation Act).
- 8/ The department shall use the amount appropriated in the private prison per diem line item to pay private prison contractors for housing and providing medical care to Arizona inmates. Before spending these monies for any other purpose, the department shall submit an expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 9/ Private prison vendors that contract with this state may use staff vacancy savings to pay for overtime costs without incurring a penalty or staffing offset. (General Appropriation Act footnote)
- 10/ 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)
- 11/ On or before August 1, 2024 and February 1, 2025, the state department of corrections shall submit a report to the joint legislative budget committee on the status of all inmate health care performance measures that are tracked by the department for contract monitoring purposes. Each report must include:
 1. The total number of performance measures, by facility, for which the department is not in substantial compliance.
 2. An explanation for each instance of noncompliance.
 3. The department's plan to comply with the performance measures. (General Appropriation Act footnote)
- 12/ The amount appropriated in the noncontract medication line item in fiscal year 2023-2024 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2024 footnote as added by the FY 2025 General Appropriation Act).
- 13/ The department shall use the amount appropriated in the noncontract medication line item to purchase medications to treat hepatitis C and for medication-assisted treatment for substance use disorder. Before spending these monies for any other purpose, the department shall submit an expenditure plan for review by the joint legislative budget committee. (General Appropriation Act footnote)
- 14/ The amount appropriated in the injunction-related IT upgrades line item in fiscal year 2023-2024 is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (FY 2024 footnote as added by the FY 2025 General Appropriation Act).
- 15/ The amount appropriated in the injunction-related IT upgrades line item shall be used to address information technology improvements as required by the court in the *Jensen v. Thornell* inmate health care litigation. (General Appropriation Act footnote)
- 16/ 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)
- 17/ 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)

- 18/ On or before November 1, 2024, the state department of corrections shall provide a report on bed capacity to the joint legislative budget committee. The report shall reflect the bed capacity for each security classification by gender at each state-run and private institution, divided by rated and total beds. The report shall include bed capacity data for June 30, 2023 and June 30, 2024 and the projected capacity for June 30, 2025, as well as the reasons for any change within that time period. Within the total bed count, the department shall provide the number of temporary and special use beds. The report shall also address the department's rationale for eliminating any permanent beds rather than reducing the level of temporary beds. The report shall also include any plans to vacate beds but not permanently remove the beds from the bed count. (General Appropriation Act footnote)
- 19/ If the department develops a plan after the department's November 1, 2024 report to open or close one hundred or more state-operated or private prison rated beds, the department shall submit a plan detailing the proposed bed changes for review by the joint legislative budget committee before implementing these changes. (General Appropriation Act footnote)
- 20/ On or before August 1, 2024, the state department of corrections shall transfer to the public safety personnel retirement system via the department of administration its estimated required annual contribution to the corrections officer retirement plan for fiscal year 2024-2025. (General Appropriation Act footnote)
- 21/ On or before December 15, 2024 and July 15, 2025, the state department of corrections shall submit a report to the joint legislative budget committee on the progress made in meeting the staffing needs for correctional officers. Each report shall include the number of filled correctional officer positions, the number of vacant correctional officer positions, the number of people in training, the number of separations and the number of hours of overtime worked year-to-date. The report shall detail these amounts both departmentwide and by prison complex. (General Appropriation Act footnote)
- 22/ The department shall report actual fiscal year 2023-2024, estimated fiscal year 2024-2025 and requested fiscal year 2025-2026 expenditures as delineated in the prior year when the department submits its fiscal year 2025-2026 budget request pursuant to section 35-113, Arizona Revised Statutes. (General Appropriation Act footnote)
- 23/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 24/ One hundred percent of land earnings and interest from the penitentiary land fund shall be distributed to the state department of corrections in compliance with the enabling act and the Constitution of Arizona to be used to support state penal institutions. (General Appropriation Act footnote)
- 25/ Twenty five percent of land earnings and interest from the state charitable, penal and reformatory institutions land fund shall be distributed to the state department of corrections in compliance with the enabling act and the Constitution of Arizona to be used to support state penal institutions. (General Appropriation Act footnote)
- 26/ Before spending any state education fund for correctional education monies in excess of \$736,400, 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 allocation.)

Operating Budget

The budget includes \$844,026,600 and 9,405 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	<u>FY 2025</u>
General Fund	\$821,758,300
Alcohol Abuse Treatment Fund	250,300
Corrections Fund	3,001,000
Inmate Store Proceeds Fund	1,280,800
Penitentiary Land Fund	686,800
Prison Construction and Operations Fund	2,500,100

State Charitable, Penal and Reformatory Institutions Land Fund	1,164,600
State Education Fund for Correctional Education	736,400
Transition Program Fund	12,648,300

Adjustments are as follows:

Opioid Settlement Monies

The budget includes an increase of \$35,000,000 from the General Fund in FY 2025 due to a lower use of opioid settlement monies for ADC operating costs compared to FY 2024.

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

The FY 2025 budget reduces the transfer of opioid settlement monies from the Attorney General to ADC from \$75,000,000 to \$40,000,000. To offset the loss of opioid settlement monies, the FY 2025 budget increases the use of General Fund monies in ADC's operating budget by \$35,000,000 relative to the revised FY 2024 appropriation.

The FY 2024 and FY 2025 opioid settlement transfers are not displayed within the appropriated ADC budget as the transferred monies will be deposited in the non-appropriated ADC Opioid Remediation Fund established pursuant to A.R.S. § 35-142.

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

Additional Injunction-Related Staffing

The budget includes an increase of \$6,800,000 and 23 FTE Positions from the General Fund in FY 2025 for additional staffing needs resulting from the inmate health care injunction.

Other Injunction Costs

The budget includes an increase of \$2,688,900 from the General Fund in FY 2025 for injunction-related costs such as pest control and enhanced sanitation.

Remove One-Time Food Funding

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

One-Time Food Contract Increase

The budget includes a one-time increase of \$12,648,300 in FY 2025 from the Transition Program Fund for the increased cost of the new food contract.

Department Vacancy Savings

The budget includes a decrease of \$(19,800,000) from the General Fund in FY 2025 for department vacancy savings, primarily from unfilled correctional officer positions.

Remove One-Time Florence Closure Costs

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

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

Remove One-Time Corrections System Assessment

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

Remove One-Time Leap Year Funding

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

Remove Department Administrative Shifts

The budget includes a decrease of \$(6,800,000) from the General Fund in FY 2025 to reverse a shift made by the department in FY 2024. These FY 2024 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2024 to better display actual funding levels by line item. *(Please see Table 3 below for a full list of administrative shifts.)*

Remove FY 2024 Supplemental Reduction

The budget includes an increase of \$21,707,400 from the General Fund in FY 2025 for the elimination of one-time FY 2024 supplemental savings associated with injunction-related expenses.

Statewide Adjustments

The budget includes an increase of \$20,645,000 in FY 2025 for statewide adjustments. This amount consists of:

General Fund	20,634,100
Inmate Store Proceeds Fund	(7,000)
Penitentiary Land Fund	5,700
State Charitable, Penal and Reformatory Institutions Land Fund	(1,000)
State Education Fund for Correctional Education	13,200

(Please see the Agency Detail and Allocations section.)

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

Overtime and Compensation Time

The budget includes \$15,540,500 from the General Fund in FY 2025 for Overtime and Compensation Time. This amount is unchanged from FY 2024.

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

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

Community Corrections

The budget includes \$28,280,300 and 184 FTE Positions in FY 2025 for Community Corrections. These amounts consist of:

General Fund	25,574,500
Alcohol Abuse Treatment Fund	305,500
Transition Program Fund	2,400,300

Adjustments are as follows:

Remove FY 2024 Supplemental Reduction

The budget includes an increase of \$2,000,000 from the General Fund in FY 2025 for the elimination of one-time FY 2024 supplemental savings.

The FY 2025 budget reduces the line item's FY 2024 appropriation by \$(2,000,000) and adds a footnote to allow the department to repurpose the \$2,000,000 appropriated in the FY 2023 budget for the Community Treatment Program for Imprisoned Women line item, and instead use those funds for Community Corrections expenses in FY 2024.

Remove Department Administrative Shifts

The budget includes an increase of \$723,000 from the General Fund in FY 2025 to reverse a shift made by the department in FY 2024. These FY 2024 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2024 to better display actual funding levels by line item. (Please see Table 3 below for a full list of administrative shifts.)

Statewide Adjustments

The budget includes an increase of \$828,000 from the General Fund in FY 2025 for statewide adjustments.

Background – Monies in this line item are used for several different community corrections programs as described below. In addition to the \$28,280,300 in FY 2025 appropriated funds, ADC projects that they will utilize an additional \$8,889,000 in non-appropriated funds for these activities in FY 2025.

As of June 30, 2024, ADC has responsibility for 5,361 offenders overseen by community correctional officers. The majority of offenders are released after serving 85% of their sentence and serve a period under community supervision. A very small number of offenders sentenced prior to January 1, 1994 are released on parole at the discretion of the Board of Executive Clemency.

The monies in this line item pay for:

- **ADC Staffing:** The line item funds the staffing costs for correctional officers that oversee offenders on community supervision. The department also uses the appropriated monies for contracted drug testing, behavioral needs testing, and other programming.
- **Transition Program:** Offenders that meet statutory considerations and behavioral standards may be released 90 days prior to their community supervision release date and participate in the Transition Program, whose services are provided by a contracted vendor. (See the Transition Program section in Other Issues.)
- **Reentry Centers:** If offenders violate the terms of supervision, they may be returned to custody to serve out the remainder of their term. As an alternative, ADC operates the Maricopa and Pima Reentry Centers, which provide beds for inmates and an intensive treatment program. At the Pima facility, ADC also houses homeless offenders that do not have a secure placement.
- **Mental Health Transition Program:** Starting in FY 2022, offenders that have been diagnosed as seriously mentally ill and are eligible for AHCCCS benefits upon release may receive 90-days of mental health transition services. Statute requires ADC to place up to 500 inmates in the program each year.

See Table 1 for detail on the FY 2023 expenditures from the line item.

Table 1

FY 2023 Community Corrections Program Expenditures

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

Private Prison Per Diem

The budget includes \$275,716,800 in FY 2025 for Private Prison Per Diem. This amount consists of:

General Fund	245,342,800
Corrections Fund	28,311,500
Penitentiary Land Fund	2,062,500

Adjustments are as follows:

Remove One-Time FY 2024 Florence Closure Costs

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

Remove One-Time FY 2024 Private Prison Contract Increase

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

One-Time FY 2025 Private Prison Funding

The budget includes a one-time increase of \$55,283,500 in FY 2025 to fully fund private prison contracts and to continue one-time FY 2024 funding (*see one-time FY 2024 issues above*). This amount consists of:

General Fund	54,283,500
Corrections Fund	1,000,000

The budget continues this funding as one-time in FY 2026 and FY 2027. As a result, the FY 2026 Baseline's 3-year spending projections will exclude this funding in FY 2028.

Private Prison Funding Reduction

The budget includes a decrease of \$(14,500,000) in FY 2025 from the General Fund to reflect savings for unused private prison bed capacity.

While the prior policy issue funded the cost of private prison contracts at full capacity, this issue adjusts that amount downward to reflect vacancies that typically occur during the course of the year.

Marana Prison Savings

The budget includes a decrease of \$(9,722,200) from the General Fund in FY 2025 for ongoing savings due to the current status of the Marana prison complex.

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

Remove Department Administrative Shifts

The budget includes an increase of \$19,000,000 from the General Fund in FY 2025 to reverse a shift made by the department in FY 2024. These FY 2024 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2024 to better display actual funding levels by line item. (*Please see Table 3 below for a full list of administrative shifts.*)

Remove FY 2024 Supplemental Reduction

The budget includes an increase of \$789,200 from the General Fund in FY 2025 for the elimination of one-time FY 2024 supplemental savings.

Remove One-Time Leap Year Costs

The budget includes a decrease of \$(681,100) from the Prison Construction and Operations Fund in FY 2025 to remove funding for increased contract costs associated with one additional day in FY 2024.

Background – This line item funds payments to private prison contractors for housing and providing medical care to Arizona inmates in 11,168 beds. Administrative expenses related to monitoring private prison contracts are included in the department's operating budget.

ADC will usually own the facilities after a specified amount of time (typically 20 years) because the per diem rate includes a portion of the facilities' purchase cost. Of the 6 existing private prison contracts, 3 (Kingman, Phoenix West and Florence West) are solely for management services as the state owns those facilities.

Inmate Health Care Contracted Services

The budget includes \$367,557,100 in FY 2025 for Inmate Health Care Contracted Services. This amount consists of:

General Fund	354,271,900
Penitentiary Land Fund	716,700
Prison Construction and Operations Fund	10,000,000
State Charitable, Penal and Reformatory Institutions Land Fund	2,568,500

Adjustments are as follows:

Remove One-Time Health Care Costs

The budget includes a decrease of \$(51,200,000) from the General Fund in FY 2025 to remove one-time health care costs funding. This funding was restored in FY 2025 and further increased as explained in the next policy issue.

Vendor Contract Increase

The budget includes an increase of \$108,875,800 in FY 2025 for vendor health care contract increases. This amount consists of:

General Fund	107,090,600
Penitentiary Land Fund	716,700
State Charitable, Penal and Reformatory Institutions Land Fund	1,068,500

Remove Department Administrative Shifts

The budget includes a decrease of \$(15,341,600) from the General Fund in FY 2025 to reverse a shift made by the department in FY 2024. These FY 2024 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2024 to better display actual funding levels by line item. *(Please see Table 3 below for a full list of administrative shifts.)*

Medicaid Reimbursement Savings

The budget includes a decrease of \$(11,000,000) from the General Fund in FY 2025 to account for expected Medicaid reimbursement savings.

Additional FY 2025 Adjustments

The budget includes a net increase of \$3,738,500 in FY 2025 to 1) backfill the one-time use of non-General Fund monies in FY 2024 and 2) add new resources for the health care contract. This amount consists of:

General Fund	8,886,000
Penitentiary Land Fund	(2,465,600)
State Charitable, Penal and Reformatory Institutions Land Fund	(2,681,900)

Remove One-Time Leap Year Costs

The budget includes a decrease of \$(738,900) from the Prison Construction and Operations Fund in FY 2025 to remove funding for increased contract costs associated with one additional day in FY 2024.

Background – The state contracts with a private company to provide health care to inmates in state-operated prisons. In May 2022 ADC awarded a new inmate health care contract that contract took effect in October 2022 and is for 5 years with a renewal option for an additional 5 years. The current contract does not include the cost of medications for either hepatitis C treatment and or medication-assisted treatment of substance use disorders *(see the Non-Contract Medication line item below)*.

(Please see the Inmate Health Care Litigation section in the FY 2025 Baseline for additional information.)

Substance Abuse Treatment

The budget includes \$3,945,400 and 3 FTE Positions from the General Fund in FY 2025 for Substance Abuse Treatment. Adjustments are as follows:

Remove Department Administrative Shifts

The budget includes an increase of \$2,418,600 from the General Fund in FY 2025 to reverse a shift made by the department in FY 2024. These FY 2024 shifts were made through an administrative process and were not enacted by legislation. However, the budget table reflects these shifts in FY 2024 to better display actual funding levels by line item. *(Please see Table 3 below for a full list of administrative shifts.)*

Funding Reduction

The budget includes a decrease of \$(1,500,000) from the General Fund in FY 2025 to align the appropriation with actual expenditures.

This line item provides ADC with specified funding for substance abuse treatment. This includes funding for ADC programs and to contract with private vendors to provide treatment.

Transitional and Reentry Housing

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

Remove One-Time Funding

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

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

Transitional Housing Grants

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

Remove One-Time Funding

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

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

Inmate Dog Training

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

Remove One-Time Funding

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

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

Non-Contract Medication

The budget includes \$55,000,000 from the General Fund in FY 2025 for Non-Contract Medication. Adjustments are as follows:

Remove One-Time FY 2024 Funding

The budget includes a decrease of \$(40,746,500) from the General Fund in FY 2025 for the elimination of one-time FY 2024 supplemental funding for non-contract medication. A General Appropriation Act footnote makes this FY 2024 funding non-lapsing through FY 2025. This funding was continued and increased in FY 2025 (*see the next policy issue*).

Ongoing Funding

The budget includes an increase of \$55,000,000 from the General Fund in FY 2025 for ongoing non-contract medication funding.

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

Injunction-Related IT Upgrades

The budget includes \$16,000,000 from the General Fund in FY 2025 for Injunction-Related IT Upgrades. Adjustments are as follows:

Remove FY 2024 Supplemental Funding

The budget includes a decrease of \$(4,770,300) from the General Fund in FY 2025 for the elimination of one-time supplemental funding. A General Appropriation Act footnote makes this FY 2024 funding exempt from lapsing through FY 2025.

Ongoing Funding

The budget includes an increase of \$16,000,000 from the General Fund in FY 2025 for ongoing IT funding related to the inmate health care injunction.

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

Named Claimants

The budget includes no funding in FY 2025 for Named Claimants. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of \$(12,113.96) from the General Fund in FY 2025 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 2024 Supplementals
- Statutory Changes
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FY 2024 Supplementals

The FY 2025 budget includes the following FY 2024 supplemental adjustments:

- \$(8,886,000) from the General Fund for inmate health care vendor costs, which includes \$9,224,000 for increased costs and \$(18,110,000) for savings offsets, including Medicaid funding and vendor penalties.
- \$40,746,500 from the General Fund to fund Hepatitis C and medication assisted treatment.
- \$4,770,300 from the General Fund for injunction-related information technology upgrades.
- \$(21,707,400) from the General Fund for department vacancy savings in the operating budget.
- \$(2,000,000) from the General Fund to reduce the community corrections appropriation. The budget replaces this funding by allowing the department to spend the FY 2023 appropriation for Community Treatment for Imprisoned Women on community corrections in FY 2024.
- \$(789,200) from the General Fund for private prison capacity savings.
- \$(75,000,000) from the General Fund to reduce the department's overall appropriation. This amount was replaced with a corresponding transfer of

\$75,000,000 of opioid settlement monies from the Attorney General.

- \$5,147,500 from Other Funds for increased inmate health care vendor costs, which consists of \$2,465,600 from the Penitentiary Land Fund and \$2,681,900 from the State Charitable, Penal and Reformatory Institutions Land Fund.
- \$12,113.96 from the General Fund for a one-time named claimants appropriation.

Statutory Changes

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

- As session law, allows ADC to use the amount appropriated in FY 2025 from the Transition Program Fund and the Alcohol Abuse Treatment Fund for any purpose at the Director's discretion.

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund in FY 2024:

	FY 2024
Alcohol Abuse Treatment Fund	\$2,000,000
Community Corrections Enhancement Fund	117,500
Corrections Fund	8,000,000
Transition Program Fund	4,200,000

The budget also includes the following transfers from this agency's fund to the General Fund in FY 2025:

	FY 2025
Arizona Correctional Industries Revolving Fund	\$11,491,800

Transition Program

The Transition Program allows inmates meeting the conditions outlined in statute and by the department the opportunity to be released from prison 90 days prior to their release date. Transition Program participants are generally lower risk, sentenced for non-violent crimes, and classified to lower levels than the overall ADC population. Participants reside in homes or halfway houses across the state and receive substance abuse counseling and case management services.

A.R.S. § 31-254 requires that 5% of non-Driving Under the Influence inmate wages be deposited to the Transition Program Fund to operate the program. Additionally, A.R.S. § 31-285 requires that \$17 per bed day saved from

an earlier release be transferred to the Transition Program Fund to pay for the vendor costs of the program. Statute does not specify from which fund. ADC has transferred money from the State DOC Revolving Fund to meet this requirement.

In FY 2023, the program saved a total of 304,121 bed days. In that same year, the Transition Program Fund received revenue of \$5,631,900 from all sources. Of this amount, \$5,170,100 came from the statutory \$17 transfer and the remainder came from DUI inmate wages. The vendor is required to seek Medicaid payment for services like substance abuse treatment prior to billing ADC. Because Medicaid pays for much of the costs, the department's vendor costs to run the program in FY 2023 were on average \$1.46 per inmate per day, or \$442,600 total.

Bed Capacity Issues

Inmate Growth Rate

On June 30, 2024, the total inmate population was 35,138. This was an increase of 761 inmates from the June 30, 2023 population of 34,377. *Table 2* shows the year-end populations from FY 2019 to FY 2024.

<u>Year</u>	<u>Population</u>
FY 2019	42,312
FY 2020	40,151
FY 2021	35,954
FY 2022	33,371
FY 2023	34,377
FY 2024	35,138

The decline in the ADC population from FY 2020 through FY 2022 was likely related to the pandemic.

	FY 2024 Original <u>Appropriation</u>	FY 2024 Revisions			OF Supplemental <u>Appropriation</u>	FY 2024 Revised <u>Appropriation</u>
		GF Admin. Shift	GF Supplemental <u>Appropriation</u>	GF Opioid Settlement <u>Shift</u>		
Operating Budget	873,752,700	6,800,000	(21,707,400)	(75,000,000)	-	783,845,300
Community Corrections	27,452,300	(723,000)	(2,000,000)	-	-	24,729,300
Private Prison Per Diem	289,858,400	(19,000,000)	(789,200)	-	-	270,069,200
Inmate Health Care Contracted Services	321,620,200	15,341,600	(8,886,000)	-	5,147,500	333,223,300
Substance Abuse Treatment	5,445,400	(2,418,600)	-	-	-	3,026,800
Non-Contract Medication	-	-	40,746,500	-	-	40,746,500
Injunction-Related IT Upgrades	-	-	4,770,300	-	-	4,770,300
Named Claimants	-	-	12,100	-	-	12,100

Bed Capacity

In measuring ADC's ability to house its inmate population, there are 2 methods of defining bed capacity:

- "Rated" beds are permanent and were originally designed for housing prisoners. This amount was 39,153 public and private beds on June 30, 2023, a decrease of (35) beds since June 30, 2022.
- Operating Capacity represents "rated" beds plus temporary beds. The latter may be located in areas not originally intended for housing prisoners or double-bunked beds in areas intended for single bed cells. During FY 2023, the department decreased its total operating capacity by (104) beds, from 44,473 to 44,369.

In addition, special use beds are employed for investigative detention, disciplinary isolation, maximum behavior control, mental health observation, or medical inpatient care. Due to their short-term usage, these beds are not counted as part of ADC's operational capacity. The number of special use beds in public and private prisons was 1,787 as of June 30, 2023, a decrease of (111) from June 30, 2022.

Bed Surplus/Shortfall

At the end of FY 2023, the department had a total rated bed surplus of 4,776. After adjusting for the 5,216 temporary beds in the overall ADC system, the rated bed surplus became a 9,992-operating bed surplus. Because beds are divided by gender and security level, this figure may not fully reflect system capacity. (Please see *Table 4* for more information.)

Table 4

Fiscal Year-End Operating Capacity

State	FY 2023 Actual			FY 2024 Estimate			FY 2025 Estimate		
	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity	Rated	Temp.	Operating Capacity
Douglas	1,905	140	2,045	1,905	140	2,045	1,905	140	2,045
Eyman	4,493	2,211	6,704	4,493	2,211	6,704	4,493	2,211	6,704
Perryville	4,214	129	4,343	4,214	129	4,343	4,214	129	4,343
Phoenix	552	213	765	427	190	617	427	190	617
Lewis ^{1/}	5,104	879	5,983	5,104	879	5,983	5,104	879	5,983
Safford	1,703	160	1,863	1,703	160	1,863	1,703	160	1,863
Tucson	4,600	582	5,182	4,540	582	5,122	4,540	582	5,122
Winslow	1,626	0	1,626	1,626	0	1,626	1,626	0	1,626
Yuma	4,350	340	4,690	4,350	340	4,690	4,350	340	4,690
Subtotal	28,547	4,654	33,201	28,362	4,631	32,993	28,362	4,631	32,993
Private (Per Diem) ^{2/}									
Kingman (\$53.75)	3,400	108	3,508	3,400	108	3,508	3,400	108	3,508
Phoenix West (\$65.02 – 89.95)	400	-	400	400	-	400	400	-	400
Marana (\$59.35 in FY 2023 and FY 2024) ^{3/}	500	-	500	500	-	500	-	-	-
Florence West (\$59.29 – 74.50)	600	150	750	600	150	750	600	150	750
Florence II (\$84.03)	1,000	280	1,280	1,000	280	1,280	1,000	280	1,280
Red Rock (\$80.83)	2,000	24	2,024	2,000	24	2,024	2,000	24	2,024
La Palma (\$88.62)	2,706	-	2,706	2,706	-	2,706	2,706	-	2,706
Subtotal	10,606	562	11,168	10,606	562	11,168	10,106	562	10,668
Total - All beds ^{4/}	39,153	5,216	44,369	38,968	5,193	44,161	38,468	5,193	43,661
State Prison Population									
Male	21,143		21,143	21,650		21,650	22,325		22,325
Female	3,172		3,172	3,200		3,200	3,250		3,250
Subtotal	24,315		24,315	24,850		24,850	25,575		25,575
Private Prison Population									
Male	10,062		10,062	10,200		10,200	10,350		10,350
Total Population ^{5/6/}	34,377		34,377	35,050		35,050	35,925		35,235
Bed Surplus/(Shortfall)									
Male	4,776		9,992	3,918		9,111	2,543		7,736
Female	3,623		8,710	2,793		7,857	1,468		6,532
Female	1,153		1,282	1,125		1,254	1,075		1,204
Bed Surplus/(Shortfall) (% of Beds)	12%		23%	10%		21%	7%		18%

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

^{2/} The base rate for the private (per diem) bed rate for each facility is listed. ADC may be charged a lower rate due to amendments or contract provisions that grant lower rates for temporary beds or beds used over an occupancy threshold. Marana, Kingman, Florence West and Phoenix West are management only.

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

^{4/} Excludes special use beds totaling 1,787 as of June 30, 2023.

^{5/} The chart excludes prisoners awaiting transfer from county jail.

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