

Director: Dora B. Schriro

JLBC Analyst: Martin Lorenzo

	FY 2007 Actual	FY 2008 Estimate ^{1/}	FY 2009 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	9,726.9	9,755.9	9,932.5 ^{2/}
Correctional Officer Personal Services	275,022,800	289,976,900	289,976,900
Health Care Personal Services	35,876,900	37,449,400	37,449,400
All Other Personal Services	69,202,500	72,322,100	71,794,000
Personal Services Subtotal	380,102,200	399,748,400	399,220,300
Employee Related Expenditures	141,012,500	160,931,300	164,046,800
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	43,692,800	24,331,400	24,331,400^{3/4/}
Health Care All Other Operating Expenditures			
Professional and Outside Services	17,807,000	43,168,800	16,822,100
Travel - In State	67,000	52,000	57,800
Travel - Out of State	15,700	0	13,500
Other Operating Expenditures	53,535,300	36,538,000	68,305,300
Food	1,476,800	0	1,274,100
Equipment	205,900	757,400	135,100
Health Care Operating Subtotal	73,107,700	80,516,200	86,607,900
Non-Health Care All Other Operating Expenditures			
Professional and Outside Services	6,962,800	934,100	34,549,800
Travel - In State	293,300	45,000	252,700
Travel - Out of State	159,700	117,900	98,400
Other Operating Expenditures	74,428,200	79,079,600	54,958,700
Food	34,701,400	34,890,100	31,899,800
Equipment	4,611,600	4,068,100	1,066,200
Non-Health Care Operating Subtotal	121,157,000	119,134,800	122,825,600
OPERATING SUBTOTAL	759,072,200	784,662,100	797,032,000
SPECIAL LINE ITEMS			
County Jail Beds	914,300	868,600	866,200 ^{4/}
New State Prison Beds	0	0	2,822,000 ^{4/}
Private Prison Per Diem	64,355,300	83,169,800	82,952,600 ^{4/}
Provisional Beds	32,697,400	75,031,500	117,235,900 ^{4/}
Lump Sum Reduction	0	(206,700)	(1,207,200) ^{5/}
AGENCY TOTAL	857,039,200	943,525,300	999,701,500^{5/-13/}
FUND SOURCES			
General Fund	815,046,200	890,813,900	947,476,000
Other Appropriated Funds			
Alcohol Abuse Treatment Fund	218,100	599,300	599,300
Corrections Fund	29,006,900	29,054,700	29,054,800
Penitentiary Land Fund	858,600	2,925,400	2,254,900 ¹¹
Prison Construction and Operations Fund	10,250,000	17,626,600	15,050,000
State Charitable, Penal and Reformatory Institutions Land Fund	482,600	570,000	4,062,500 ¹²
State Education Fund for Correctional Education	917,800	1,155,400	424,000 ^{13/}
Transition Office Fund	0	180,000	180,000
Transition Program Drug Treatment Fund	259,000	600,000	600,000
SUBTOTAL - Other Appropriated Funds	41,993,000	52,711,400	52,225,500
SUBTOTAL - Appropriated Funds	857,039,200	943,525,300	999,701,500
Other Non-Appropriated Funds	43,031,200	48,397,200	48,397,200
Federal Funds	1,265,900	28,103,000	28,103,000
TOTAL - ALL SOURCES	901,336,300	1,020,025,500	1,076,201,700

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.

PERFORMANCE MEASURES	FY 2005	FY 2006	FY 2007	FY 2009
	Actual	Actual	Actual	Approved
• Escapes from secure facilities Comments: The department reports that in FY 2007, 1 inmate escaped from the Aspen Unit at the State Prison in Phoenix and 1 inmate escaped from the Maricopa Unit at the State Prison in Douglas. All escapees have since been recaptured.	0	3	2	0
• Number of inmates receiving the General Equivalence Degree (GED) Comments: The number of inmates receiving GED's in FY 2005, FY 2006, and FY 2007 is high due to efforts to eliminate a backlog of GED-eligible inmates that resulted from the test being suspended for 5 months in FY 2003. Once eliminated, the number of GED recipients should level out, reaching approximately 2,500 inmates.	3,125	3,091	3,306	2,500
• Number of inmate random positive urinalysis results Comments: In FY 2007, the department reports the number of inmates testing positive increased due to ADC randomly testing a larger population to increase safety.	943	912	1,416	1,400

Operating Budget

The budget provides \$797,032,000 and 9,755.9 FTE Positions for the operating budget in FY 2009. This amount consists of:

General Fund	\$782,152,900
Alcohol Abuse Treatment Fund	599,300
Corrections Fund	380,500

Penitentiary Land Fund	198,700
Prison Construction and Operations Fund	11,250,000
State Charitable, Penal and Reformatory Institutions Land Fund	1,240,500
State Education Fund for Correctional Education	430,100
Transition Office Fund	180,000
Transition Program Drug Treatment Fund	600,000

- 1/ Does not reflect 2008 transfers. Please see the narrative for details.
- 2/ Includes 176.6 OF FTE Positions funded from Special Line Items in FY 2009.
- 3/ The Personal Services and Employee Related Expenditures for Overtime/Compensatory Time line item includes monies for Personal Services and Employee Related Expenditure costs from overtime and compensatory time payouts accrued by department employees in FY 2009. (General Appropriation Act footnote)
- 4/ Notwithstanding A.R.S. § 35-173C, any transfer to or from the amounts appropriated for County Jail Beds, New State Prison Beds, Personal Services and Employee Related Expenditures for Overtime/Compensatory Time, Private Prison Per Diem or Provisional Beds line items shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ Before altering its bed capacity by closing state-operated prison beds, canceling or not renewing contracts for privately-operated prison beds, the State Department of Corrections shall submit a bed plan detailing the proposed bed closures for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 6/ Before placing any additional inmates in out-of-state provisional beds, the department shall place inmates in all available prison beds in facilities that are located in Arizona and that house Arizona inmates, unless the out-of-state provisional beds are of a comparable security level and price. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency with Special Line Items. Personal Services are appropriated in 3 line items for Correctional Officers, Health Care Personnel and All Other Personnel. All Other Operating Expenditures are appropriated in 2 line items for Health Care and Non-Health Care.
- 8/ A monthly report comparing Department of Corrections expenditures for the month and year-to-date as compared to prior year expenditures shall be forwarded 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 by the 30th of the following month. The report shall include at least each line item of appropriation and the main components of All Other Operating Expenditures. The report shall 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. (General Appropriation Act footnote)
- 9/ The State Department of Corrections shall work with the Department of Public Safety's Gang and Immigration Intelligence Team Enforcement Mission to combat gang activity. The State Department of Corrections and the Department of Public Safety shall report jointly to the Joint Legislative Budget Committee by December 1, 2008 on their collaborative efforts and procedures. (General Appropriation Act footnote)
- 10/ State Department of Corrections personnel in the Correctional Officer Series who receive a geographic stipend shall not retain the geographic stipend associated with that facility when transferring to other department facilities. (General Appropriation Act footnote)
- 11/ One hundred percent of land earnings and interest from the Penitentiary Land Fund shall be distributed to the State Department of Corrections in compliance the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 12/ 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 the Enabling Act and the Constitution of Arizona to be used for the support of state penal institutions. (General Appropriation Act footnote)
- 13/ Before the expenditure of any State Education Fund for Correctional Education receipts in excess of \$424,000, the State Department of Corrections shall report the intended use of the monies to the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$154,300 from the General Fund in FY 2009 for FY 2008 statewide adjustments. *(Please see the FY 2008 Statewide Adjustments narrative at the end of this Appropriations Report for details.)*

New Statewide Adjustments

The budget provides an increase of \$3,318,900 in FY 2009 for new statewide adjustments. This amount consists of:

General Fund	3,318,600
Corrections Fund	100
State Education Fund for Correctional Education	200

(Please see the New Statewide Adjustments narrative at the end of this Appropriations Report for details.)

Population Growth

The budget provides an increase of \$5,400,700 from the General Fund in FY 2009 for population growth. The \$5,400,700 provides funding for an average daily population (ADP) increase of 2,160 inmates, or 180 net new inmates per month. The marginal cost per inmate, per year, totals \$3,531 for state-operated facilities and \$498 for privately-operated facilities. These monies are allocated between the department’s various Health Care and Non-Health Care All Other Operating Expenditure line items.

Inmate Health Care Increase

The budget provides an increase of \$4,593,200 from the General Fund in FY 2009 for an inflationary adjustment for health care operating expenses. This adjustment is similar to the inflationary increase provided to the Arizona Health Care Cost Containment System (AHCCCS) for the Acute Care Capitation Rate. Funding applies to direct health care costs associated with contracted services, medications, and other medical supplies.

Restore One Time Reductions

The budget provides an increase of \$3,035,600 from the General Fund in FY 2009 to restore one-time reductions originally enacted as part of the FY 2008 budget revisions.

The \$3,035,600 restores one-time reductions for education (\$1,700,000), the work incentive pay plan (\$700,000), food (\$300,000), tuition reimbursement (\$175,600), and travel (\$160,000).

Fund Shift

The budget provides an increase of \$670,500 from the State Charitable, Penal and Reformatory Institutions Land Fund, and a corresponding decrease of \$(670,500) from the Penitentiary Land Fund in FY 2009. In FY 2008, monies were appropriated from the Penitentiary Land Fund in excess of ongoing revenues to allow ADC to utilize a

one-time fund balance. This adjustment brings ongoing expenditures in line with forecasted revenues.

Inmate Transportation Vehicle Replacement

The budget provides a decrease of \$(2,000,000) from the Prison Construction and Operations Fund in FY 2009 to reflect one-time monies for inmate transportation vehicle replacement. In FY 2008, ADC received these monies to replace 2 vans (\$65,000), 3 heavy-duty transport buses (\$1,243,000), and 6 regular-duty work crew buses (\$692,000).

One-Time Equipment Funding

The budget provides a decrease of \$(947,200) from the General Fund in FY 2009 to reflect one-time monies appropriated for equipment. This adjustment eliminates the one-time equipment monies appropriated in FY 2008 for van pool vehicles (\$900,000), substance abuse (\$27,000), and sex offender treatment (\$20,200).

Educational Adjustment

The budget provides a decrease of \$(731,500) from the State Education Fund for Correctional Education in FY 2009 to reflect a long-term reduction in the number of juveniles qualifying for educational services under A.R.S. § 15-1372. In FY 2009, the Arizona Department of Education (ADE) estimates the costs of ADC students to be \$429,900 based on current student count data and long-term caseload reductions which, prior to FY 2009, were not reflected in the budget. *(Please see the ADE section at the end of this Appropriations Report for details.)*

Leap Year Operating Costs

The budget provides a decrease of \$(299,800) from the Prison Construction and Operations Fund in FY 2009 for one-time costs associated with operating correctional facilities for an additional day during a leap year. Including leap year adjustments in Special Line Items (SLI), the total adjustment is a decrease of \$(576,600). *(Please see the department’s Special Line Items for remaining adjustments.)*

County Jail Beds

The budget provides \$866,200 from the General Fund for the County Jail Beds SLI in FY 2009. This amount funds the following adjustment:

Leap Year Operating Costs

The budget provides a decrease of \$(2,400) from the Prison Construction and Operations Fund in FY 2009 for one-time costs associated with operating ADC-contracted county jail beds for an additional day during a leap year. *(Please see the department’s Operating Budget and Special Line Items for additional information.)*

Background - The County Jail Beds SLI provides funding for 48 beds located at the Navajo County Jail. These beds are county-operated, non-permanent beds used as overflow

for state-operated beds. In FY 2009, these beds are contracted at a rate of \$49.44 per bed, per day. *(Please see Table 2 for additional information.)*

New State Prison Beds

The budget provides \$2,822,000 and 176.6 FTE Positions from the State Charitable, Penal and Reformatory Institutions Land Fund for the New State Prison Beds SLI in FY 2009. This amount funds the following adjustment:

Start-Up Costs for New State Prison Beds

The budget provides an increase of \$2,822,000 and 176.6 FTE Positions from the State Charitable, Penal and Reformatory Institutions Land Fund in FY 2009 to fund start-up and staffing costs incurred by the department for 1,000 of 4,000 new state prison beds authorized in FY 2008. The FY 2009 General Appropriation Act assumes the initial 1,000 beds will be operational in July 2009. Subsequent to the passage of the FY 2009 General Appropriation Act however, a report from the Arizona Department of Administration (ADOA) and ADC indicates that all 4,000 beds are now anticipated to be operational in March 2010.

Background - The New State Prison Beds SLI includes funding for costs associated with 4,000 new state prison beds authorized by Laws 2007, Chapter 261 (Criminal Justice Budget Reconciliation Bill). Chapter 261 authorized ADOA to contract for the construction of no more than 4,000 public prison beds to be funded via lease-purchase financing. The 4,000 beds are anticipated to be minimum custody beds with a medium custody perimeter to enable multi-custody use and are to be constructed as follows: 1,000 female beds in Perryville, 1,000 male in Tucson, and 2,000 male beds in Yuma. *(Please see "Other Issues" for additional information.)*

Private Prison Per Diem

The budget provides \$82,952,600 for the Private Prison Per Diem SLI in FY 2008. This amount consists of:

General Fund	52,478,300
Corrections Fund	28,674,300
Penitentiary Land Fund	1,000,000
Prison Construction and Operations Fund	800,000

These amounts fund the following adjustments:

Leap Year Operating Costs

The budget provides a decrease of \$(217,200) from the Prison Construction and Operations Fund in FY 2009 for one-time costs associated with operating ADC-contracted private prisons for an additional day during a leap year. *(Please see the department's Operating Budget and Special Line Items for additional information.)*

Background - The Private Prison Per Diem line item includes monies paid to private prison contractors for daily expenses associated with housing Arizona inmates. Private prison beds are permanent beds that the department will usually own after a period of 20 years, on average. Department administrative expenses related to private prison contracts are not included in this SLI and are included in the department's operating budget subtotal. *(Please see "Other Issues" for additional information.)*

Provisional Beds

The budget provides \$117,235,900 for the Provisional Beds SLI in FY 2009. This amount consists of:

General Fund	113,179,700
Penitentiary Land Fund	1,056,200
Prison Construction and Operations Fund	3,000,000

These amounts fund the following adjustments:

Restore Funding for Provisional Beds

The budget provides an increase of \$16,381,300 from the General Fund in FY 2009 to restore one-time reductions originally enacted as part of the FY 2008 budget revisions. This amount is comprised of the following:

- \$14,757,100 to restore a one-time savings generated in FY 2008 from lower than anticipated per diem payments for provisional beds contracted for at the New Castle Facility in the State of Indiana. The lower per diem payments were due to an agreement between ADC and the State of Indiana which limited the number of inmates held at the facility to 630 (of 1,260) during the fiscal year and removed all Arizona inmates out of the facility by the end of FY 2008. While ADC will no longer be contracting for these beds, the need for additional beds remains. As a result, the budget restores these monies in FY 2009 to allow the department to contract for additional provisional beds.
- \$1,624,200 to restore one-time savings generated in FY 2008 as a result of delays in filling the 2,060 new provisional beds authorized in FY 2008. These beds include 720 additional beds at the Diamondback facility in Watonga, Oklahoma and 1,340 beds at the Great Plains facility in Hinton, Oklahoma. The beds were budgeted to be phased-in at 105 per week beginning in July 2007. The actual loading of these beds however occurred later than anticipated.

New Provisional Beds

The budget provides an increase of \$14,333,000 from the General Fund in FY 2009 to allow the department to rent/contract for additional provisional beds. At this time however, the number of additional beds the department will contract for with these monies is unknown as it is

dependant on the contracted per diem rate, and number of days the beds would be filled during the fiscal year. For example, at a per diem rate of \$64.00, the \$14,333,000 would fund 614 beds for the entire fiscal year, or 1,227 beds, for half of the fiscal year. To date, ADC has not contracted for any additional provisional beds with these monies.

Annualize 2,060 Provisional Beds

The budget provides an increase of \$11,547,300 from the General Fund in FY 2009 to annualize the cost of 2,060 provisional beds. In FY 2008, ADC received partial-year funding of \$30,732,200 to contract for 2,060 new provisional beds, including; 720 additional beds at the Diamondback facility in Watonga, Oklahoma at a per diem rate of \$59.45 and 1,340 beds in Hinton, Oklahoma at a per diem rate of \$54.50. Based on the per diem rates and number of approved beds, the annual cost of these beds is \$42,279,500. As a result, the additional \$11,547,300 funds the annual cost of all 2,060 beds in FY 2009.

Leap Year Operating Costs

The budget provides a decrease of \$(57,200) from the Prison Construction and Operations Fund in FY 2008 for one-time costs associated with operating ADC provisionally-contracted prison facilities for an additional day during a leap year. *(Please see the department’s Operating Budget and Special Line Items for additional information.)*

Background - The Provisional Beds SLI provides funding for provisional beds. These beds are privately-operated, non-permanent, rented beds used as overflow for state-operated beds. Typically, provisional beds are temporarily rented/contracted on an annual basis with renewals for up to 4 or 5 years; however, the contracts can be canceled at any time. (Please see “Other Issues” for additional information.)

Lump Sum Reduction

The budget provides \$(1,207,200) from the department’s budget for a lump sum reduction in FY 2009. This amount consists of:

General Fund	(1,201,100)
State Education Fund for Correctional Education	(6,100)

These amounts fund the following adjustments:

Additional Hiring Freeze Reduction

The budget provides an additional decrease of \$(500) in FY 2009 for the hiring freeze originally enacted as part of the FY 2008 budget revisions. This amount consists of:

General Fund	(400)
State Education Fund for Correctional Education	(100)

These amounts represent the agency’s additional share of a statewide hiring freeze reduction in FY 2009. *(Please see the Statewide Hiring Freeze Reduction section at the end of this Appropriations Report for details.)*

Administrative Lump Sum Reduction

The budget provides a decrease of \$(1,000,000) from the General Fund in FY 2009 for an administrative lump sum reduction. The agency is responsible for identifying savings sufficient to meet this reduction.

Additional Legislation

Budget Structure

The Criminal Justice Budget Reconciliation Bill (Laws 2008, Chapter 286) requires the department to report FY 2008 actual expenditures, FY 2009 estimated expenditures, and FY 2010 requested expenditure amounts for each line item as delineated in the FY 2009 General Appropriation Act when submitting the FY 2010 budget request. *(Please see footnote 7 for additional information.)*

Corrections Officer Retirement Plan (CORP)

The Budget Procedures Budget Reconciliation Bill (Laws 2008, Chapter 291) amends A.R.S. § 38-891 and changes the date member contributions for the Correctional Officer Retirement Plan increases, from 7.96% to 8.41%, to the general effective date. Laws 2008, Chapter 234 previously set the rate increase to become effective July 1, 2009.

Probation; Facilities; Safe Communities Act

Laws 2008, Chapter 298 requires the Legislature, beginning in FY 2011, to annually appropriate to the Administrative Office of the Courts (AOC), 40% of any costs that are avoided as a result of a reduction in the percentage of individuals on supervised probation from each county whose probation is revoked and are sentenced to a term of imprisonment at ADC. These monies however, are only to be appropriated to counties who also had a reduction in the percentage of individuals from that county who were on supervised probation and were convicted of a new felony offense. These monies are to be used to increase the availability of substance abuse treatment and risk reduction and intervention programs for probationers as well as for grants to nonprofit victim services organizations for assisting victims and increasing the amount of restitution collected from probationers.

In addition, beginning in FY 2010, Chapter 298 requires; 1) the AOC and ADC to annually report (by October 1) to the JLBC Staff, specific data required to calculate any cost that may have been avoided, and 2) the JLBC Staff to annually report to the JLBC, by November 15, the data provided by the AOC and ADC, as well as their estimates of costs that may have been avoided due to reductions in probation revocations.

Lastly, Chapter 298 allows the court to adjust the period of probationer's supervised probation on the recommendation of an Adult Probation Officer, for earned time credit (ETC) providing an eligible probationer meets certain criteria. ETC equals 20 days for 30 days.

Transition Office Fund

The Criminal Justice Budget Reconciliation Bill (Laws 2008, Chapter 286) permits the department to use monies in the Transition Office Fund for operating expenses related to the Transition Program. Previously, monies in the fund were limited to expenses incurred by the Transition Office.

Fund Transfers

The budget provides a transfer of \$3,900,000 to the General Fund in FY 2008 and \$1,739,600 in FY 2009. These amounts comprise transfers from the funds listed below:

	<u>FY 2008</u>	<u>FY 2009</u>
Alcohol Abuse Treatment Fund	\$0	\$1,300,000
Criminal Justice		
Enhancement Fund	1,000,000	0
State DOC Revolving Fund	800,000	0
Transition Office Fund	800,000	339,600
Transition Program Drug Treatment Fund	1,300,000	100,000

These transfers are not part of the agency's appropriation and are not reflected in the table above.

Other Issues

Population and Bed Counts

Funded Bed Data

Table 1 reflects the FY 2008 and FY 2009 bed counts by bed type and facility. In addition, the table indicates, where appropriate, the per diem rate paid by ADC to the providers of the respective beds. ADC's total bed count of approximately 36,934 beds in FY 2009 comprises the following 4 types of prison beds:

- State Beds (27,248): Beds owned and operated by the department. These beds are located in 10 complexes throughout the state.
- Provisional Beds (5,374): Temporarily "rented" beds from a public or private vendor with whom the department has contracted with. This number of beds assumes ADC contracts for an additional 614 beds with the additional \$14,333,000 appropriated in FY 2009. The actual number of beds however, may be different depending on the terms of the actual contract.
- Private Beds (4,264): In-state, "lease-to-own" beds operated by private entities with whom the department

has contracted. Typically, the department will own private beds after a contract period of 20 years.

- County Beds (48): Beds "rented" from Navajo County.

**Table 1
Public and Private Prison Bed Count by Bed Type and Facility**

	<u>FY 2008^{1/}</u>	<u>FY 2009</u>	<u>FY 2009 Per Diem</u>
State:			
Douglas	2,270	2,270	-
Eyman	4,210	4,210	-
Florence	3,372	3,372	-
Perryville	3,260	3,260	-
Phoenix	822	822	-
Lewis	4,270	4,270	-
Safford	1,548	1,548	-
Tucson	3,640	3,640	-
Winslow	1,666	1,666	-
Yuma	<u>2,190</u>	<u>2,190</u>	-
Sub-Total	27,248	27,248	-
Provisional:			
Watonga, Oklahoma	2,160	2,160	\$59.45
Hinton, Oklahoma	1,340	1,340	54.50
New Castle, Indiana	1,260	0	-
Indiana Replacement Beds ^{2/}	NA	1,260	64.00
New Provisional Beds ^{3/}	<u>NA</u>	<u>614</u>	<u>64.00</u>
Sub-Total	4,760	5,374	59.80
Private:			
Kingman	1,400	1,400	57.15
Phoenix West	400	400	49.28
Marana	450	450	49.03
Florence West	600	600	52.19
Florence II	1,000	1,000	67.34
Emergency Beds	<u>414</u>	<u>414</u>	<u>27.54</u>
Sub-Total	4,264	4,264	54.37
County Jails:			
Navajo	<u>48</u>	<u>48</u>	<u>49.44</u>
Total	36,320	36,934	\$57.36

^{1/} Reflects public and private bed counts as appropriated in Laws 2007, Chapter 255 and does not adjust for enacted adjustments included in Laws 2008, Chapter 53.

^{2/} Reflects the number of beds and per diem rate for the previous Indiana bed contract. The actual number of beds and per diem rate is unknown at this time.

^{3/} Laws 2008, Chapter 285 includes \$14,333,000 to allow ADC to contract for new provisional beds. This amount would allow the department to contract for 614 beds at a per diem rate of \$64 beginning July 1, 2009. The actual number of beds and per diem rate is unknown at this time.

Future Public and Private Beds

Laws 2007, Chapter 261 (FY 2008 Criminal Justice Budget Reconciliation Bill) authorized ADOA; 1) to

construct 4,000 new public prison beds via a \$200,000,000 lease-purchase agreement, and 2) contract for 2,000 private prison beds that will become operational on the same timeline as the public beds. Recent reports from ADOA and ADC indicate the construction of the 4,000 public beds is anticipated to begin in October 2008, with all 4,000 beds being operational beginning March 2010. Relative to the financing of the construction of these 4,000 beds, the initial lease purchase payment is anticipated to be due in FY 2010.

With respect to the 2,000 new private prison beds, ADOA awarded a contract for these 2 beds to Management and Training Corporation (MTC). Recent reports indicate the construction of these beds is anticipated to begin in September 2008 with the beds being operational 16 months thereafter (February 2010).

Population Growth

The population data reflected in *Table 2* indicate the department's actual prison population of 38,897 inmates through FY 2008, and the ADC projected ending population of 41,057 in FY 2009. The FY 2009 projected population reflects the ADC funded population growth of an additional 180 inmates per month, or 2,160 inmates per year. In FY 2008, the actual average monthly growth in population was 151 inmates. Population growth however is volatile, where in FY 2008, it ranged from a decrease of (18) inmates in November, to an increase of 266 inmates in August. Should actual population growth remain below the funded increase of 180 inmates per month, the projected bed shortfall indicated below would decrease.

Bed Shortfall

Table 2 provides a comparison of the projected prison population, the number of anticipated beds (expressed as Operational Capacity), the projected bed shortage, and the bed deficit as a percentage of operational capacity (% Over Capacity).

<u>Mo./Year</u>	<u>Population</u>	<u>Capacity</u>	<u>Bed Shortfall</u>	<u>% Over Capacity</u>
6/05	32,710	31,792	(918)	2.9%
6/06	34,864	31,232	(3,632)	11.6%
6/07	37,088	34,260	(2,828)	8.3%
6/08	38,897	36,320	(2,577)	7.1%
6/09	41,057	36,934	(4,123)	11.1%

At the end of FY 2008, the funded bed deficit was (2,577), or (7.1)% of bed capacity, by the end of FY 2009; however, the deficit is anticipated to be (4,123) beds or (11.1)% of bed capacity

FY 2008 Transfers and Supplemental

Several funding transfers were made within ADC's budget in June 2008. These transfers were made to address shortfalls and surpluses within certain line items and SLI's of the department's budget. *Table 3* identifies these transfers within the department's budget in FY 2008.

	<u>FY 2008 Allocation^{1/}</u>	<u>JLBC Transfers</u>	<u>Additional Transfers^{2/}</u>	<u>Final FY 2008 Allocation^{3/}</u>
Correctional Officer Personal Services	\$289,976,900	\$9,472,900	(\$135,000)	\$299,314,800
Health Care Personal Services	37,449,400	2,124,000	12,000	39,585,400
All Other Personal Services	72,322,100	(4,272,000)	(20,000)	68,030,100
Employee Related Expenditures	160,931,300	8,444,400	60,000	169,435,700
Personal Services and Employee Related Expenditures for Overtime/Compensatory Time	24,331,400	(4,774,300)	(167,000)	19,390,100
Health Care OOE	80,516,200	(2,150,000)	250,000	78,616,200
Non-Health Care OOE	119,134,800	(4,697,100)	250,000	114,687,700
County Jail Beds SLI	868,600	(40,600)	0	828,000
Private Prison Per Diem SLI	83,169,800	731,200	(250,000)	83,651,000
Provisional Beds SLI	75,031,500	(4,838,500)	0	70,193,000
Lump Sum Reduction SLI	<u>(206,700)</u>	<u>0</u>	<u>0</u>	<u>(206,700)</u>
Total	\$943,525,300	\$0	\$0	\$943,525,300

^{1/} These amounts reflect the department's appropriation as allocated in Laws 2007, Chapter 255 (General Appropriation Act) adjusted for enacted adjustments included in Laws 2008, Chapter 53 (FY 2008 budget adjustments).

^{2/} In addition to the JLBC transfers, the Committee approved and favorability reviewed an additional transfer of up to \$250,000 in or out of any line item or SLI in the event the ADC requested transfers did not reflect the department's actual expenditures. These additional transfers are reflected here.

^{3/} The Final FY 2008 allocation reflects ADC actual appropriation limitations between line items and does not reflect actual expenditures.