Ann Dockendorff

From: CHARLES RYAN [redacted]
Sent: Tuesday, July 14, 2009 8:55 PM
To: Brian McNeil; Eileen Klein; Scott Smith
Cc: CHARLES FLANAGAN; DON HORNE; JENNIFER BOWSER; JACOB GABLE; JOHN HALLAHAN
Subject: FY 2010 Reduction Road Map Revised & SB 1028 Related Issues
Attachments: Final Reduction Options Revised 7-13-09.xls; DOC071309.pdf

Categories: Red Category

Eileen, Brian and Scott:

Enclosed please find the May 19th letter from me to Eileen in which I presented the ADC's FY2010 Reduction Road Map. As you know, we had collaborated on this during the session and it impacted almost every entity or operational component of ADC.

Coincidentally, during the evening of May 19th, the language for the Concession Agreement regarding ASPC-Eyman, ASPC-Yuma and ASPC-Perryville was spelled out in SB 1028 and on May 20th I was afforded 5 minutes to speak about it before the Senate Appropriations Committee.

It had been brought to the attention of ADC that the proponent of the Concession Agreement was CCA, specifically, Jaime Molera. This had been conveyed not only by staff on the mall, but by Tom Dorn and John Kaites.

As the session moved forward, SB 1028 was amended to include all of the prisons possibly becoming part of the Concession Agreement. As you know, I respectfully recommended to Governor Brewer that SB 1028 be vetoed, which occurred.

Although I had various conversations with the private prison lobbyists during the session, I had a "meet and greet" with Brad Regens and John Malloy on February 25, 2009. The next meeting with them occurred on June 16, 2009, in the presence of John Hallahan, Division Director for Offender Operations.

Mr. Regens proclaimed throughout this second conversation that CCA was not behind the Concession Agreement and wanted to know who was. I conveyed to him that ADC had been advised that it was Jaime Molera, a CCA lobbyist. Following this 'lively' discussion, Mr. Regens promptly went to the 9th floor to convey his concerns. I contacted both Brian and Scott to advise them of the conversation that had transpired.

The Final Reduction Road Map enclosed provides you a side-by-side budget cut plan, which became broader because of the additional cuts to the ADC budget. Because we went from $31.1M to $34.6M, we further evaluated our options and exercised the already established contractual agreements of the provisional beds and reduced all three (3) out of state contracts accordingly:

1. Great Plains Correctional Facility (Cornell) in Oklahoma was reduced by 12% or 237 inmates, reducing its capacity to 1,763. Keep in mind that the threshold in terms of the per diem rate is 916 or less, and 917 or greater. ADC still benefits from the 'better' per diem rate with this reduced bed capacity, down from 2,000 beds.

2. Diamondback Correctional Facility (CCA) in Oklahoma was reduced to an occupancy rate of 95% from 2,160 to 2,052 inmates; a reduction of 108 inmates are being returned to Arizona.

3. Huerfano County Correctional Facility (CCA) in Colorado was reduced to an occupancy rate of 90% from 752 to 677 inmates; a reduction of 75 inmates are being returned to Arizona.

NOTE: The combined operational capacity of the CCA facilities was 2,912, which now becomes 2,729. A total of 183 inmates or 6% was the total reduction. These reductions were in accordance with the already contractually established provisions.

Thus, CCA will only experience 1/2 the impact that was applied against Cornell. This was not intended to be preferential to CCA; the contract provisions drove the reductions for both vendors.

The 420 inmates being returned to ADC will be assigned to temporary beds throughout ADC and we will manage them until such time as the 2,000 beds are activated at the Kingman facility in February 2010.

FY 2010 PROVISIONAL BED REDUCTIONS/SAVINGS
The Arizona Department of Corrections (ADC) was asked to prepare a "Budget Reduction Road Map" to detail what cuts it would make to live within the OSPB's recommended $31,100,000 lump sum reduction. Included in the list of reductions was an intent to reduce the provisional bed population to a 95% occupancy level. This plan was identified to generate a savings/cost avoidance of $5,197,000. This plan was discussed with and provided to the OSPB.

Upon final passage of the FY 2010 Budget Feed Bill, the original $31.1 million lump sum reduction was actually a $34,573,000 lump sum reduction due to the FY 2009 mid year budget reduction adjustments. After carefully looking at all of the viable alternatives available to the ADC, it was determined that the best option to generate this additional$3,473,000 reduction was to further reduce the provisional bed occupancy levels. This decision was made in keeping with the Budget Reduction Roadmap and the current provisional bed contractual agreements.

Given the options the ADC has identified in its Budget Reduction Roadmap as well as all of the options we have looked at, the only place left to cut in order to generate savings of this magnitude is to initiate a RIF within ADC. This RIF would require the elimination of 135 employees. These would have to be coupled with the current hiring freeze to meet other budgetary reductions, already in place for FY 2010.

The savings to the state by reducing the provisional bed occupancy levels of 420 inmates are as follows:

*Gross savings for FY 2010:
$8,670,000
*Marginal Cost for 420 prison beds:
($1,483,000)
*Net Savings during FY 2010:
$7,187,000

Thus, the net savings of $7,187,000 will be realized by ADC through the additional temporary beds, and avoidance of $8,670,000 in provisional bed contract per diem payments.

I not only provided the letters to both Cornell and CCA on Friday, July 10th, I personally spoke with Mike Caltabiano with Cornell and Mr. Melendez of CCA. Brad Regens of CCA also called later in the afternoon and wanted an explanation, to which one was provided.

Mr. Regens was provided an explanation from the $31.1M listing of options, outlining our FY2010 lump sum cuts. He then injected into the discussion an implication that the decision to reduce the provisional bed capacity was related to the previous conversation (June 16, 2009) about the Concession Agreement, to which I took exception and so conveyed. The decision to implement the reductions in the provisional bed capacities was solely based upon budgetary and fiscal concerns.

There are other options and issues that can be considered regarding expanding the bed capacity of the prison system. Please be advised that ADC currently houses 25% of our inmate population in private prison beds (in-state and out-of-state). Furthermore, I recommended that the 5,000 additional beds proposed in SB 1028 would have been welcomed (minimum and medium custody only) and would have increased the ADC population in private sector beds to almost 30%. This would make the Arizona Department of Corrections one of the top consumers of private sector beds in the United States.

My reservations and objections to the Concession Agreement were due to the potential 'wholesale' privatization of the Arizona Prison System. I am not opposed to privatization of selected minimum and low medium custody populations. Furthermore, the loss of 9,000 ADC employees would be devastating to the economy of the State of Arizona, and certainly to the communities in which our prisons are located.

The Department of Corrections still has a bed plan problem that will be presented as part of our FY 2011 Decision Packages and represents at least 12,200 new prison beds. Given the net growth of 151 per month or 1,812 per year, this issue is unresolved; thus some controlled privatization is essential and manageable as indicated below.

I have indicated that there is land available at three (3) prison complexes that could be considered for expansion by the private sector if we lease the land and permit the contractor to connect to the ADC infrastructure -- Perryville, Lewis and Yuma. ADC is certainly amenable to other options that may be proposed through an RFP process and the opportunity to fully present our case.

In addition to the prison privatization issues, we also have 'unfinished' business, ie. AHCCCS rate and a $26M problem to resolve; we obviously have more work to do and stand ready to assist. We are also moving ahead with negotiating with the current contracts at Carondolet and MIHS.

These are the facts and if you have additional questions, please advise.

Regards,

Charles L. Ryan
Director
[redacted]
FAX (602) 364-0159
[redacted]