

State Funding for Corrections in FY 2006 and FY 2007

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For most states, corrections funding represents a relatively small portion of the budget, on average accounting for about 6 percent of general fund spending. But even 6 percent represents a lot of money: States spent nearly \$35.6 billion on corrections in fiscal year (FY) 2006 and budgeted \$37.6 billion for FY 2007. Mounting pressures will continue to boost corrections spending. States point to escalating inmate health care costs, overcrowded prisons and rising personnel expenses as principal drivers. These and other factors help explain state funding growth in FY 2006 and FY 2007.

Corrections Expenditures in FY 2006

Nationally, FY 2006 general fund corrections spending grew 10 percent above FY 2005 levels. This was the fastest growing category of the four spending areas that NCSL tracks in its [State Budget Actions](#) reports and well above what policymakers expected: they had budgeted corrections to grow 4.1 percent.

Actual state spending can and does differ from the amounts states originally appropriate. When states are experiencing fiscal distress, expenditures might be lower than budgeted amounts as state officials cut spending to comply with balanced budget requirements. When state fiscal conditions are strong -- usually evidenced by robust revenue performance -- final expenditures tend to be higher than the appropriated amounts as lawmakers enhance current program funding or implement policy innovations. Higher spending levels also may be driven by cost overruns. Lawmakers may provide supplemental appropriations for programs whose budgets are insufficient to cover ongoing operating expenses. In corrections, these may include overtime costs for prison personnel or utility expenses that are higher than expected. Such factors are driving cost overruns in FY 2007 budgets and are discussed later in this report.

In the passage of their FY 2006 budgets, six states budgeted corrections spending to grow 10 percent or more. The table shows that spending growth actually exceeded the 10 percent mark in 18 states.

Percentage Change in General Fund Spending for Corrections, Compared with the Previous Year		
Region/State	FY 2006 Expenditures	FY 2007 Appropriations
New England	3.6%	5.2%
Connecticut	1.7	5.8
Maine	1.9	2.8

Percentage Change in General Fund Spending for Corrections, Compared with the Previous Year		
Region/State	FY 2006 Expenditures	FY 2007 Appropriations
Massachusetts	2.7	7.0
New Hampshire	12.9	-1.6
Rhode Island	8.6	1.8
Vermont	9.5	0.5
Middle Atlantic	7.3	3.9
Delaware	8.2	8.8
Maryland	11.9	6.2
New Jersey	6.1	-0.1
New York	10.1	4.4
Pennsylvania	2.0	4.2
Great Lakes	2.0	3.5
Illinois	-2.1	4.6
Indiana	-2.9	3.7
Michigan	6.0	3.8
Ohio	2.8	1.7
Wisconsin	1.3	4.6
Plains	6.9	8.1
Iowa	8.5	2.7
Kansas	11.6	3.7
Minnesota	15.3	15.3
Missouri	0.4	11.1
Nebraska	10.0	3.1
North Dakota	-0.9	4.4
South Dakota	6.4	8.4
Southeast	8.8	2.3
Alabama	8.0	0.6
Arkansas	18.6	2.8
Florida	7.2	3.4
Georgia	8.5	3.1
Kentucky	9.9	2.6
Louisiana	10.9	-11.8
Mississippi	-4.6	4.4
North Carolina	9.8	6.5
South Carolina	11.8	1.6
Tennessee	11.1	2.4
Virginia	7.5	4.0
West Virginia	18.9	1.2
Southwest	6.3	5.8
Arizona	11.7	14.0
New Mexico	2.3	12.5

Percentage Change in General Fund Spending for Corrections, Compared with the Previous Year		
Region/State	FY 2006 Expenditures	FY 2007 Appropriations
Oklahoma	7.8	5.2
Texas	4.7	2.4
Rocky Mountain	8.6	9.3
Colorado	7.9	9.2
Idaho	12.5	11.1
Montana	16.7	-3.9
Utah	7.8	9.8
Wyoming	1.7	20.8
Far West	22.8	10.1
Alaska	6.9	9.1
California	24.6	10.5
Hawaii	12.6	9.7
Nevada	17.7	8.4
Oregon	33.2	8.3
Washington	8.7	7.0
United States	10.0%	5.7%
Source: National Conference of State Legislatures, 2006.		

The largest year-over-year increases were in Oregon (33.2 percent), California (24.6 percent), West Virginia (18.9 percent), Arkansas (18.6 percent), Nevada (17.7 percent) and Montana (16.7 percent). Officials in Oregon, Arkansas and Montana anticipated double-digit increases and final expenditures were very close to the original budgeted amounts, but that was not the case in several other states with large increases.

The factors driving the increases vary, but there are some common themes. Here are some the reasons for double-digit increases in FY 2006.

Oregon's significant increase (33.2 percent) was the result of the state replacing one-time federal funds used in the previous biennium and persistent growth in the inmate population. The need for more prison beds is expected to continue primarily because of provisions that set specific minimum sentences for major crimes.

After Oregon, California had the largest year-over-year increase in corrections spending, at 24.6 percent. Much of the increase occurred because, effective July 1, 2005, the multiple corrections departments were consolidated into a single department. The new Department of Corrections and Rehabilitation, which houses more than 170,000 inmates, will implement a variety of new and expanded programs aimed at reducing recidivism among adult offenders.

In Arkansas, health care costs for inmates, county jail reimbursements for housing state prisoners, and the addition of new inmate beds (200 for women and 316 for men) continues to drive large increases in corrections spending, which grew 18.6 percent in FY 2006. On top of the funding for these purposes, the state also allocated about \$53 million (with another \$53 million

in FY 2007) for community corrections to provide 13 additional probation/parole officers, 10 new drug courts and five new day reporting centers.

Corrections spending grew 17.7 percent in Nevada where a sharp increase in the number of prisoners is driving costs. This multi-year problem has meant that prisoners from Washington and Wyoming who were housed in Nevada have been returned to those states. This has meant lost revenue, which has been replaced by state general funds.

In Montana, FY 2006 costs exceeded appropriations by 12 percent (supplemental funds are expected to be needed in FY 2007 as well). Prison population projections and prison expansion needs are behind the 16.7 percent expenditure growth.

Idaho, facing 30 percent turnover rates among correctional officers, raised salaries to aid recruitment and retention. The 12.5 percent spending growth also addressed cost increases in the medical services contract and prisoner placements (in jails or out-of-state facilities) because of prison overcrowding.

New Hampshire's 12.9 percent increase partly reflected the cost of providing medical, dental and psychiatric services to inmates. There also was a significant increase in security costs at the prison in Concord. Salaries and benefits, heat, electricity and water costs also drove up spending.

Hawaii's increase (12.6 percent) was driven by out-of-state contracts for prison beds. Minnesota's 11.1 percent increase was explained by longer sentences for sex offenders and methamphetamine users. In South Carolina (11.8 percent increase), corrections expenditures included \$9 million for salary and health insurance and \$7 million for additional pay for law enforcement officers. In Kansas (11.6 percent growth), an inmate health care contract boosted costs.

North Carolina's increase came in just under 10 percent and was the result of a new 1,000-bed prison coming online and higher costs for the inmate medical program, where expenditures grew 19 percent in one year. In Oklahoma (7.8 percent increase), all corrections officers and parole officers received a \$2,800 pay raise in addition to the 5 percent raise received by all other state employees.

Not all states reported increases in corrections spending. Four states reported that they actually spent less in FY 2006 than they did in FY 2005. While crafting their budgets, six states expected to spend less. The two states that missed that target were New York and Rhode Island.

In New York, the inmate population continues to decline. The executive budget proposed closing one facility, but the Legislature rejected that proposal. Nonetheless, FY 2006 spending rose higher than expected because of a \$116 million supplemental appropriation for various expenses such as heat. In Rhode Island, cost savings (due in part to a decline in the inmate population) did not materialize as expected.

Of the four states where year-over-year spending declined, the largest drop was in Mississippi (down 4.6 percent, but originally budgeted to decline 8.3 percent). Mississippi reported vacant positions and nonrecurring expenses that lowered expenditures. In Indiana, corrections spending

fell 2.9 percent. Expenditures for personnel costs, materials and supplies were reduced significantly, although these cost savings were somewhat offset by added expenses for contract services. Illinois (down 2.1 percent) implemented a statewide public employee pension contribution reduction that affected the budget growth rate for corrections. North Dakota's slight decline (0.9 percent) occurred because lawmakers provided deficiency funding in FY 2005 that boosted that year's spending base.

Corrections Appropriations for FY 2007

Based on state spending plans enacted a year ago, corrections spending is budgeted to grow by 5.7 percent in FY 2007. This percentage is certain to change when final expenditures are reported; the question is by how much and in which direction. Based on mid-year expenditure reports, states will spend more than they budgeted for corrections in FY 2007.

As shown in the table, seven states budgeted corrections spending to grow by 10 percent or more in FY 2007. Four of these states -- Minnesota, Arizona, Idaho and California -- had double-digit increases last year, too. The largest increases for FY 2007 were reported by Wyoming (20.8 percent), Minnesota (15.3 percent) and Arizona (14 percent).

Wyoming is building a new prison facility and bringing 500 convicts back to the state. Most of the increased funding is for start-up costs and staffing the new facility. Officials report that housing inmates in-state costs more than incarcerating them in other states.

Minnesota's increase in FY 2007 is being driven by the same factors that drove last year's spending: more prisoners and higher labor costs. Officials report that the cost of incarcerating prisoners continues to rise.

About half the increase in Arizona is attributable to a state employee pay raise and other employee-related expenditure increases for health care and retirement. Providing more beds and replacing one-time money also help to explain Arizona's increase.

New Mexico's 12.5 percent growth is due mainly to program expansions to address overcrowding and health care costs.

California's 10.5 percent increase reflects funding to comply with court settlements relating to the delivery of medical, mental and dental care services to inmates (\$400 million), increased inmate and parole caseloads (\$303 million), and a variety of new and expanded programs aimed at reducing recidivism (\$53 million).

Missouri's 11.1 percent increase is due largely to a \$34 million change in how spending is counted (moving the expense for housing state inmates in local jails from the Department of Administration to the corrections budget), \$20 million to increase prison staff pay, an \$8 million increase for fuel and utility costs, and \$7.5 million more for prisoner health care expenses.

Utah's 9.8 percent budgeted growth is being driven by programming costs associated with the expansion of a state prison and greater than average salary increases for correctional officers.

Although corrections spending in Maryland rose 11.9 percent in FY 2006 and is budgeted to rise 6.2 percent in FY 2007, those increases do not include extra funding for retention strategies for prison personnel. These strategies include a one-grade increase, higher starting salaries (increased to \$33,413, with provisions for an annual increase of 9.8 percent) and a \$500 lump sum bonus for fewer than five unscheduled absences over a 12-month period. Approximately \$32 million was allocated to the Department of Budget and Management for these enhancements. Also, another 160 new correctional officer positions were added to the FY 2007 budget. Finally, the department plans to expand its RESTART program, which is designed to reduce recidivism by emphasizing education and counseling to inmates in the pre-release system. The program has been operating on a pilot basis at two medium-security institutions.

Corrections appropriations in North Carolina (up 6.5 percent) continue to be driven by inmate medical costs and the opening of 1,000-bed prisons. The last of six new prisons is due to open in FY 2008.

Rhode Island's budgeted increase for FY 2007 is slightly below 2 percent. The governor recommended cutting 17 positions and more than \$700,000 to outsource inmate education programs in a proposal that included the use of non-professional aides to assist inmates and recorded teaching methods such as videotapes. The General Assembly restored the positions and funding to the budget, citing lack of evidence that these alternative methods were effective instructional tools.

Four states expect to spend less on corrections than they did last year. These states are Louisiana (-11.8 percent), Montana (-3.9 percent), New Hampshire (-1.6 percent) and New Jersey (-0.1 percent).

In Louisiana, administrative rule changes reduced time served for technical probation violators from two years to 90 days. The budget also cut certain payments to local sheriffs.

The budget reduction in Montana may not hold, and some officials anticipate a supplemental appropriation will be needed for corrections. In fact, mid way through the fiscal year, spending was exceeding budgeted amounts.

In New Hampshire, the FY 2006 base was high to cover a variety of expenses. In New Jersey, many departments, including corrections, are budgeted at flat or reduced funding. Additionally, increased costs for salaries and benefits are not reflected in the department's budget, but instead are included in interdepartmental accounts.

Budget Overruns in FY 2007

NCSL surveys legislative fiscal directors during the fiscal year to collect information on state budget conditions, including the stability of state spending needs mid way through the cycle. The results are contained in "State Budget Update" reports. Questions about mid-year budget overruns can be illustrative in assessing if any programs may need supplemental appropriations.

Information collected in [November 2006](#) and [March 2007](#) shows that, overall, state budget plans have held relatively firm. Although 33 states reported budget overruns, the amounts have been mostly modest and have not suggested any serious trouble. One of the more interesting findings from the surveys was that corrections budgets are the most common ones to exceed their appropriated levels. This is a departure from past years when Medicaid or other health care programs were the ones most often over budget.

Through February 2007, 16 states reported that corrections spending was exceeding appropriated amounts. A few states identified the reasons for the cost overruns and they included overtime costs, staffing needs or other operational costs (Connecticut, Maryland, Texas), inmate medical and healthcare expenses (Maryland, Texas) and utilities (Maryland).

Only a few states provided information on the size of the overruns and they are relatively modest in comparison to the originally authorized corrections budget. Alaska reported that corrections was over by \$13 million (7.7 percent). The overrun was \$5.3 million (1.8 percent) in Iowa. Maryland provided a supplemental appropriation of \$56.7 million for public safety, which represents 7.9 percent of the original corrections budget. In New Mexico, the Department of Corrections requested a supplemental appropriation of \$10 million (4.7 percent of the corrections budget). This is on top of the 12.5 percent budgeted increase for FY 2007.

Looking Ahead

The factors that are driving corrections spending in FY 2006 and FY 2007 are expected to continue. Perhaps the two biggest issues are the growing number of inmates and providing them with adequate health care.

A number of states are constructing new facilities to house their growing inmate population. It is expensive to build prisons and costly to operate them. State officials will face ongoing costs to staff the facilities and offer programming. As demonstrated in recent years, one of the top concerns is recruiting and retaining prison personnel. States are incurring higher costs to bump starting salaries and give higher-than-average raises. There is also the issue of overtime costs, which is one driver of current budget overruns in several states.

Concerns about the rising prisoner population are causing some states to explore or implement programs to reduce recidivism. Some states are reviewing and modifying probation and parole policies to reduce the number of violators who return to the prison system for technical violations. Other states, like California and Maryland, are allocating funds for education, counseling, community-based services and other programs to help keep former inmates from returning to prison.

A May 18, 2007, [briefing paper](#) from the Pennsylvania House Appropriations Committee discussed that state's prison overcrowding problem. Specific recommendations to address it included changing sentencing policies, increasing the use of alternative sentencing and expanding prison, probation and parole programs.

Another significant budget concern relates to inmate health care costs, which are a growing budget item in many states. Like the general population, the inmate population is growing older. This demographic development is exacerbated by stiffer sentencing laws that keep inmates in prison longer. Geriatric inmates, many of whom are in poorer health to begin with, will continue to generate significant increases in health care costs. In addition to the costs for basic health care, states face rising expenses for dental health and mental health services.

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