Managing Corrections Costs
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By Alison Lawrence
States will spend $40 billion to incarcerate and supervise offenders in fiscal year (FY) 2014, according to the National Conference of State Legislatures’ (NCSL) State Budget Actions: FY 2013 & 2014. This is a modest 2.5 percent increase over FY 2013 costs, with corrections a shrinking portion of overall state spending. In a growing number of states, legislatures have enacted policy shifts that make more effective use of corrections dollars but that also remain attentive to public safety.

This report examines corrections budget trends, cost-conserving changes to sentencing and corrections policies, actions taken to operate prisons more efficiently, and federal initiatives that provide support and assistance to states.

**Budget Trends**

Forty states, the District of Columbia and Puerto Rico budgeted more in general funds for corrections in FY 2014 than in the previous fiscal year (Figure 1, on page 4). Only six states—Connecticut, Maine, Mississippi, Nebraska, North Dakota and Oklahoma—and Puerto Rico increased spending by more than 5 percent. Nine states—Indiana, Kentucky, Louisiana, Nevada, New Mexico, Ohio, Rhode Island, Virginia and Wyoming—budgeted to spend less in the current fiscal year. Decreases range from .2 percent in New Mexico to 8.4 percent in Wyoming. Spending in New Jersey remains unchanged.

State budgets must accommodate corrections, health care, education, social services, transportation, environment and other areas important to residents’ lives. Since 2000, corrections budgets have represented about 5 percent to 6 percent of state general funds (Figure 2). In FY 2014, this number is projected to be 5.3 percent.

The four major state spending categories are corrections, K-12 education, higher education and Medicaid. Medicaid represents the greatest portion of general fund spending, at more than 20 percent in FY 2014, and also is the fastest growing category, up from 12 percent in FY 2000. Since 2000, the portion of general fund spending devoted to higher education has declined from about 12 percent to 9 percent, and K-12 education has remained relatively constant (Figure 3).
Figure 1. Percentage Change in Corrections General Fund Spending, FY 2013 to FY 2014

Source: NCSL survey of legislative fiscal offices, 2013.
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Unlike other areas of state spending, corrections is supported almost entirely by general funds; in FY 2014, only about 2 percent of corrections spending came from other sources. Lawmakers’ policy and fiscal responsibilities include making decisions about how to best provide for public safety and, at the same time, manage corrections costs.

Sentencing and Corrections Policies

Since nearly $9 of every $10 spent on corrections goes to prisons, according to the Public Safety Performance Project of The Pew Charitable Trusts, managing prison populations is key to managing corrections costs. The largest and potentially most sustainable reductions have resulted from changes to sentencing and corrections policies that have safely lowered prison populations.

Prison populations are determined by who goes to prison and how long they stay. After reaching a high of more than 1.4 million in 2009, the total state prison population steadily declined to 1.35 million in 2012, according to the federal Bureau of Justice Statistics (BJS).

In South Carolina, the purpose of a 2010 omnibus act was to “ensure prison space exists for high-risk, violent offenders,” improve community supervision and get “smart on crime, reduce recidivism and provide fair and effective sentencing options.” The law added to the list of violent crimes; expanded diversion, treatment and prison good time; required evidence-based community supervision; and created alternatives for probation and parole rule violations. These measures led to an 8 percent decline in the prison population, according to a December 2013 South Carolina Sentencing Reform Oversight Committee report. Prison space has been prioritized for violent offenders, who now make up 63 percent of the state’s prison population, compared to 46 percent in 2002.

According to BJS, the portion of violent offenders in prison nationwide has increased from 45 percent to 53 percent during the last two decades. States have taken steps to prioritize prison space for the most dangerous offenders by diverting some offenders from prison, creating alternatives for probation and parole violations, and expanding prison release options.

Prison Admissions

States have decreased the number of offenders who enter prison by expanding community-based supervision and treatment and creating alternatives to incarceration for probation and parole rule violations.

Diverting low-risk offenders to community supervision can reserve costly prison space for the most serious offenders. A number of states in recent years have enacted policies that allow drug offenders, who would otherwise be prison-bound, to be diverted into community supervision and treatment. States also have reviewed and revised drug classifications and penalties. Since 2001, the number of drug offenders entering prison has declined by more than 20 percent, according to BJS.

Leading this trend, New York’s decade-long prison population decline has been driven in part by changes to drug offender sentencing laws. The Legislature has eliminated some
mandatory minimum sentence requirements, reduced the length of prison sentences for drug crimes, and expanded community- and prison-based treatment programs for drug and property offenders who are drug addicts. Since 2009, prison sentences have decreased by 40 percent, while sentences to diversion programs, such as drug court, are up, according to the New York Department of Corrections and Community Supervision.

Since 2009, at least 12 states have authorized diversion of lower-level drug offenders into community supervision and treatment. Colorado has reduced the number of offenders sent to prison as a result of changes to drug laws, according to the state Division of Criminal Justice, and used savings to fund community-based treatment and related programs and services. Laws in 2003 and 2010 lowered penalties for low-level drug use and possession offenses, decreasing the number of offenders sent to prison. Savings from decreased prison admissions and a court surcharge for all drug-crime convictions are used to support assessment and community- and prison-based treatment of offenders with substance-abuse and/or mental health disorders. In FY 2013, $14.1 million was spent on correctional treatment programs, and $16.7 million has been appropriated for FY 2014, according to the Colorado Correctional Treatment Board. The board is responsible for allocating funds to the state and local agencies responsible for supervising offenders.

Authorizing non-prison alternatives for offenders who break the rules of their supervision—known as technical violations—is another way states have safely decreased prison populations. From 2006 through 2011, the number of inmates who entered prison for parole violations declined by 31 percent nationwide, according to BJS.

More than 20 states have authorized use of graduated sanctions to respond to probation and parole violations.

Graduated sanctions policies use clearly established community-based sanctions or short jail stays to quickly respond to technical violations; the severity of the sanction is proportional to the violation. Arkansas adopted a graduated sanctions policy in 2011, and within one year the total prison population declined by 7 percent because fewer violators entered prison. A similar policy adopted in South Carolina in 2010 resulted in one-year savings of $4.2 million due to a 20 percent decline in revocations to prison.
**Length of Stay and Reentry**

States have trimmed lengths of stay in prison by accelerating the release date of certain inmates who participate in prison programming. In addition, attention to reentry and more information to parole boards have increased parole release rates.

Awarding earned-time credits to certain inmates who comply with prison rules and complete self-improvement programs trims the amount of time spent in prison. In 2008, Pennsylvania created a Recidivism Risk Reduction Incentive that allows certain non-violent inmates to be eligible for a reduced minimum sentence upon completion of treatment, education courses or other in-prison programming. In three years, the state saved a total of $37 million due to shorter stays, according to the corrections department.

Programs that help inmates better prepare for release can lead to reduced crime and recidivism. In Connecticut, the prison population has been steadily decreasing since 2008 due, in part, to increased use of prison diversion and reentry programs. A Risk Reduction Earned Credit program created in 2011 is further contributing to prison population declines and has lowered recidivism rates. A preliminary analysis conducted by the state Office of Policy and Management found that inmates who earned such credit were 10 percent less likely to be back in prison within 12 months, compared to the general inmate population. At least 38 states offer earned-time credits to certain inmates who participate in or complete prison programs.

Providing inmates with skills, services and supervision as they reenter the community has led parole boards in Michigan and Texas to approve more inmates for release on parole. Michigan established the Prisoner Reentry Initiative in 2005. The program includes an assessment of inmates when they enter prison to identify factors that contribute to criminal behavior and assign related in-prison programming. Inmates who are near their date of release receive assistance to secure housing, find a job, and access substance abuse and mental health treatment and other health care. Assessment results, program participation records and release plans of Michigan inmates go to the parole board to use when they consider whether an individual should be released. The parole board credits the increase in the number of paroles granted to the availability of this inmate information. The state’s prison population is down 15 percent from its peak in 2007, according to the corrections department. Each year, some savings that result from lower prison costs—$56 million in FY 2011—are invested in the reentry initiative.
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STATE-LOCAL SUPERVISION AND FUNDING

In 2011, local governments spent more than $26 billion to detain and supervise criminal offenders, according to BJS. The amount and type of responsibility assumed by state and local governments for offender supervision vary among states. In 44 states, jails are locally operated. In six, the state oversees a combined jail and prison system. Probation and parole supervision may be provided by local courts, local or state community corrections departments, state corrections departments or parole boards, or a combination of these.

Some states have realigned state-local supervision responsibility in recent years. In response to a federal court order, California lawmakers enacted legislation in 2011 to reduce the state prison population from 144,000 inmates to approximately 110,000. Under the law, offenders convicted of non-serious and non-sex offenses serve their sentences in local jails rather than state facilities. Local probation departments supervise most inmates released to parole from jail and certain lower-level offenders released from state prison, while the corrections department supervises higher-risk offenders. All offenders for whom parole is revoked—except for those serving a life sentence—serve their time in county jails. As of January 2014, the state inmate population was about 118,000, according to the California Department of Corrections and Rehabilitation.

A 2011 North Carolina law transferred responsibility for housing most misdemeanor offenders from the state corrections department to local counties. The law was designed to reduce prison costs and use existing jail space. Counties with available jail space can participate and are reimbursed for housing and transportation costs. As of June 2013, half the state's counties were participating, according to the North Carolina's Sheriffs' Association, which is required by law to manage the realignment. County reimbursement is funded through court costs and fees.

Local jails generally detain offenders whose sentences are less than one year or defendants who are awaiting trial. In several states, however, prison inmates also are held in local facilities due to lack of space in state facilities or procedural delays related to inmate transfer. In 2012, 33 states were housing prison inmates in local jails, according to BJS. This can strain local resources and limit inmate access to treatment and programming. Arkansas and Georgia are among states that have reduced jail backlogs in recent years through changes to sentencing laws that lowered prison populations. Arkansas saved nearly $6 million in FY 2013 because of reduced payments to counties for housing state inmates, according to NCSL budget data.

States also have provided local supervision agencies with funds to support successful community supervision. One way states have done this is through “justice reinvestment” initiatives. For example, Georgia allocated more than $11 million in FY 2013 for local accountability courts. For FY 2014, North Carolina has appropriated $22 million for community-based treatment and additional probation officer positions.

Eight states have adopted “performance incentive funding” mechanisms that reimburse localities for successfully supervising some offenders in the community, rather than sending them to prison for supervision violations. In California, probation revocations have declined by one-third over three years, resulting in $535 million state savings; $220 million was distributed to counties that have contributed to the decline, according to the Administrative Office of the Courts. Four states—California, Illinois, Kansas and Ohio—have awarded about $400 million to local supervision agencies for successfully diverting offenders.
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In Texas, improved parole supervision, expansion of community- and prison-based treatment, and a revalidated risk assessment tool has led to a 7 percent increase in parole approval rates during the past five years, according to the state Board of Pardons and Paroles. A valid risk assessment tool provides parole boards with information about an inmate’s risk of reoffending, program needs and readiness for release. Revalidating a risk assessment ensures the continued quality of the tool and can increase confidence in the results. Improved supervision and access to treatment also increase the parole board’s confidence that offenders will receive the appropriate amount and type of supervision and services upon release.

Operational Costs

Costs of operating prison facilities represent the largest share of corrections budgets. BJS reported that, in 2010, states spent three-quarters of their corrections funds on secure housing and care for inmates, employee salaries and benefits, and other operational costs. To improve the cost efficiency of prisons, some states have made changes to the number and kind of prisons they operate. Others have increased the cost-effectiveness of providing inmate health care or addressed service contracts, inmate transportation and technology.

Facility Consolidations, Closures and Repurposing

Since 2011, 17 states have closed or consolidated prisons, which can result in significant savings (Figure 4). In at least nine states, sentencing and corrections laws have lowered prison populations enough to warrant closure or consolidation.

In Pennsylvania, a lower prison population prompted the corrections department to close two older prison facilities and replace them with one new one in 2013. The state will save an estimated $35 million per year and reduce
the operating capacity by 400 beds, according to the corrections department. The new facility is more secure, requires fewer resources to operate and can hold more inmates than either of the older prisons. Nevada is also among states that have closed older prisons that generally are less efficient and more expensive to operate than newer facilities. Closing the 150-year-old Nevada State Prison in 2012 saved the state nearly $15 million during the FY 2011-13 biennium, according to the Legislative Counsel Bureau.

New York has closed 18 correctional facilities during the last five years because of a declining prison population, according to the corrections department. The state used $12 million in savings from two of the closures to help offset costs for in-prison mental health and sex offender programs. Savings also have been used to provide economic development assistance to communities where prisons have closed. One prison will become a center for crime victim support and offender reentry services.

Like New York, a number of states are repurposing closed facilities, providing new opportunities for local communities. Colorado recently repurposed a closed prison to provide transitional housing and support services for people who are homeless. According to the Colorado Department of Local Affairs, this helps fill a gap in services that may not be available in a rural area of the state. The transitional housing center also will offer employment opportunities for former prison workers. A 2013 law requires that at least 15 percent of the employees at the repurposed facility be former correctional facility employees.

**Inmate Health Care**

Nearly 20 percent of prison costs in 2008 were spent on inmate health care, according to the State Health Care Spending Project of The Pew Charitable Trusts. High rates of disease, a growing elderly inmate population and prison location contribute to the high cost associated with providing care. States have trimmed prison spending by making changes to inmate health care.

Prescription and over-the-counter drug costs are increasing inside and out of prisons. To control these costs, states have centralized their prison pharmacy services, purchased generic drugs and taken advantage of bulk purchasing discounts. Iowa’s pharmacy costs are the second largest component of inmate health costs, according to the Legislative Services Agency. The recent move to a centralized pharmacy system saved the state a total of $1.2 million in FY 2013 and FY 2014, according to NCGL budget data. Texas’ participation in the federal 340B Drug Pricing Program allows the state to purchase drugs at reduced cost, which saved $50 million in FY 2012, according to the Legislative Budget Board.

Prisons often are located in remote, non-urban areas, and transporting inmates for medical care can be not only costly, but also can increase public safety concerns. In addition, contracting with specialty care doctors to travel to prisons can be expensive. Telemedicine uses video-conferencing technology to
provide inmates with timely access to specialty care. Over a 13-year period, the University of Texas Medical Branch—one of two providers of inmate health care in the state—documented $780 million in savings due to use of telemedicine. Michigan and Ohio also have realized savings from use of telemedicine in prisons.

Expansion of the federal Medicaid match also may offer savings to corrections departments. A 1997 federal memo allows Medicaid coverage for some health care costs of inmates if the care is provided at a location other than the correctional facility, the care lasts longer than 24 hours, and the inmate meets Medicaid eligibility criteria. Under the 2010 federal Affordable Care Act, if states choose to participate, Medicaid eligibility will be expanded to all those with incomes below 133 percent of the poverty level. At least six states passed laws in 2013 that allow state or local corrections departments to seek federal Medicaid funds for certain inmate health care services. According to NCSL budget data, a 2013 Arkansas law is estimated to save the state $2.2 million in FY 2014. The California Legislative Analyst’s Office estimates that, in FY 2012-2013, the state saved nearly $30 million by obtaining federal funds; in FY 2014-15, savings could reach $70 million. More inmates also will become eligible for Medicaid after release from prison, providing states with an opportunity to increase access to substance abuse and mental health treatment and medical care immediately upon an inmate’s release.

**Prison Management**

The Vera Institute of Justice and the Association of State Correctional Administrators have identified efficiency measures taken by corrections departments in recent years. Such measures include changes to food service or utilities contracts. Investing in new technology, such as Internet-based information systems, reduces administrative workload and manual delivery of inmate files, court documents and other records. Video-conferencing for parole hearings or other inmate appearances has reduced transportation costs in some states.

**Federal Leadership and Support**

State efforts have been supported by federal initiatives, including those administered by the Bureau of Justice Assistance (BJA) in the U.S. Department of Justice.

A public-private partnership of BJA and the Public Safety Performance Project of The Pew Charitable Trusts (Pew) leads national efforts in justice reinvestment. BJA administers funds that support a number of state and local efforts, while Pew provides technical assistance. Support and assistance include analyzing data and trends, developing strategies to improve offender accountability, contain costs and protect public safety. Once reforms have been adopted, states become eligible for seed funding that can be used for risk assessments development, program implementation and staff training. States also can receive help to implement information systems that can track and measure progress.
At least 27 states have engaged in a “justice reinvestment” process in recent years. A recent study of 17 of these states by the Urban Institute found a collective projected savings of $4.6 billion during the next five to 11 years. To date, 12 states have reinvested $165 million of the savings into public safety initiatives such as substance abuse and mental health treatment, evidence-based offender supervision and use of risk assessments.

Since 2008, the federal Second Chance Act has provided grants to state, local and tribal governments and community-based organizations to establish innovative and evidence-based reentry programs, including those related to employment, education, mentoring, and substance abuse and mental health treatment. BJA has awarded nearly 600 grants for programs such as reentry courts, family-based treatment services, technology career training, mentorship, and research and evaluation of effective reentry programs.

Other BJA initiatives include support for a variety of programs that address substance abuse and mental health needs of offenders, including development and expansion of drug, mental health, veteran and other problem-solving courts. Smart Probation grants support development and implementation of evidence-based probation programs aimed at improving probation success rates.

**Results**

Good research and evidence are the foundation for many effective corrections policies and programs. Evidence-based practices are improving many areas of offender supervision in the community. Federal resources such as CrimeSolutions.gov provide information about whether programs have undergone rigorous evaluation and show evidence of achieving goals. BJA’s National Training and Technical Assistance Center also offers a resource for implementing evidence-based programs.

States are making more effective use of corrections dollars and are reaping the benefits. They are safely decreasing prison populations, reducing recidivism and improving public safety. While each policy change may have a modest or incremental effect, comprehensive and sustainable reforms collectively can help control corrections costs.
Resources

National Conference of State Legislatures
www.ncsl.org
The National Conference of State Legislatures (NCSL) is committed to the success of state legislators and staff. Founded in 1975, it is a respected bipartisan organization providing states support, ideas, connections and a strong voice on Capitol Hill. NCSL’s mission is to improve the quality and effectiveness of state legislatures; promote policy innovation and communication among state legislatures; and ensure state legislatures is a strong, cohesive voice in the federal system.

Criminal Justice Program
www.ncsl.org/research/civil-and-criminal-justice
The Criminal Justice Program is a resource for state lawmakers and staff on a wide range of topics that reflect the many aspects and functions of criminal justice systems. Special project work helps legislatures tap the best research and information available on sentencing and corrections policies that meet both public safety goals and fiscal objectives.

Fiscal Affairs Program
www.ncsl.org/research/fiscal-policy
The Fiscal Affairs Program provides information, research, and technical assistance to legislators and legislative staff on a wide range of fiscal, economic development and cultural issues. The program also conducts regular budget and tax surveys that are released as State Budget Updates, State Budget Actions and State Tax Actions reports.

Bureau of Justice Assistance
www.bja.gov
The Bureau of Justice Assistance (BJA), a component of the U.S. Department of Justice’s Office of Justice Programs, disseminates state-of-the-art knowledge and practices across America’s justice systems and provides grants at the national, state, local and tribal level to fund the implementation of these crime-fighting strategies. BJA provides leadership and services on many crime prevention, recidivism reduction and justice improvement efforts that are guided by the principle “to reduce crime, recidivism, and unnecessary confinement, and promote a safe and fair criminal justice system.”

Bureau of Justice Statistics
www.bjs.gov
The Bureau of Justice Statistics, a component of the U.S. Department of Justice’s Office of Justice Programs, collects, analyzes, publishes and disseminates information on crime, criminal offenders, victims of crime, and the operation of justice systems at all levels of government.

Public Safety Performance Project of The Pew Charitable Trusts
www.pewstates.org/publicsafety
Pew’s Public Safety Performance Project helps states advance data-driven, fiscally sound policies and practices in criminal and juvenile justice systems that protect public safety, hold offenders accountable and control corrections costs. The project provides expert, nonpartisan research, analysis and assistance to states to help explore sentencing and corrections reforms that will reduce reoffending and cut costs. The project also conducts and publishes
research on key criminal and juvenile corrections trends and highlights policies and practices that demonstrate better outcomes at less cost.

**Urban Institute**
www.urban.org
The Urban Institute gathers data, conducts research, evaluates programs, offers technical assistance overseas, and educates Americans on social and economic issues to foster sound public policy and effective government. Urban’s Justice Policy Center conducts non-partisan research and evaluation designed to improve justice and public safety policies and practices at the national, state and local levels.

**Vera Institute of Justice**
www.vera.org
The Vera Institute of Justice combines expertise in research, demonstration projects and technical assistance to help leaders in government and civil society improve the systems people rely on for justice and safety. Vera’s Center on Sentencing and Corrections works with government leaders to advance criminal justice policies that promote fairness, protect public safety, and ensure that resources are used efficiently. The Cost-Benefit Analysis Unit provides policymakers with clear, accessible information about the economic pros and cons associated with criminal and juvenile justice policies.
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State Laws


Federal Laws


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NCSL provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues and is an effective and respected advocate for the interests of the states in the American federal system. Its objectives are:

• To improve the quality and effectiveness of state legislatures.
• To promote policy innovation and communication among state legislatures.
• To ensure state legislatures a strong, cohesive voice in the federal system.

The Conference operates from offices in Denver, Colo., and Washington, D.C.