

State Spending for Corrections: Long-Term Trends and Recent Criminal Justice Policy Reforms

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Overview

State spending for corrections has risen steadily over the last three decades, outpacing the overall growth in state budgets. The state inmate population has grown as well, leading many states to direct more resources for prisons and incarceration, sometimes at the expense of other priorities. Corrections now comprises a larger share of general fund budgets than it did in prior decades, but policy makers have taken notice and are finding ways to reduce costs and improve outcomes while seeking to avoid jeopardizing public safety. For example, state policy makers have begun to invest in programs that reduce recidivism and expand alternatives to incarceration by instituting community supervision and/or drug treatment programs. These data driven tools are helping improve criminal justice polices, but state spending for corrections has yet to exhibit any meaningful slowdown and incarceration costs continue to rise. State spending for corrections reached \$52.4 billion in fiscal 2012 and has been higher than 7.0 percent of overall general fund expenditures every year since fiscal 2008. This suggests that criminal justice reforms have yet to reverse the persistent growth in public safety spending, and that many states still have a potential for greater savings from policy reforms.

The Prison Population and Incarceration Costs

The responsibility for overseeing the nation's prison population lies mostly with state governments. Prisoners under state jurisdiction accounted for 86.1 percent of the total U.S. prison population in calendar year 2012.¹ State correctional obligations have increased over the years because the prison population has grown considerably, due in part to mandatory sentencing laws and longer prison terms. The total U.S. prison population has swelled from nearly 330,000 inmates in 1980 to 1.57 million in 2012.² Mirroring this trend, the

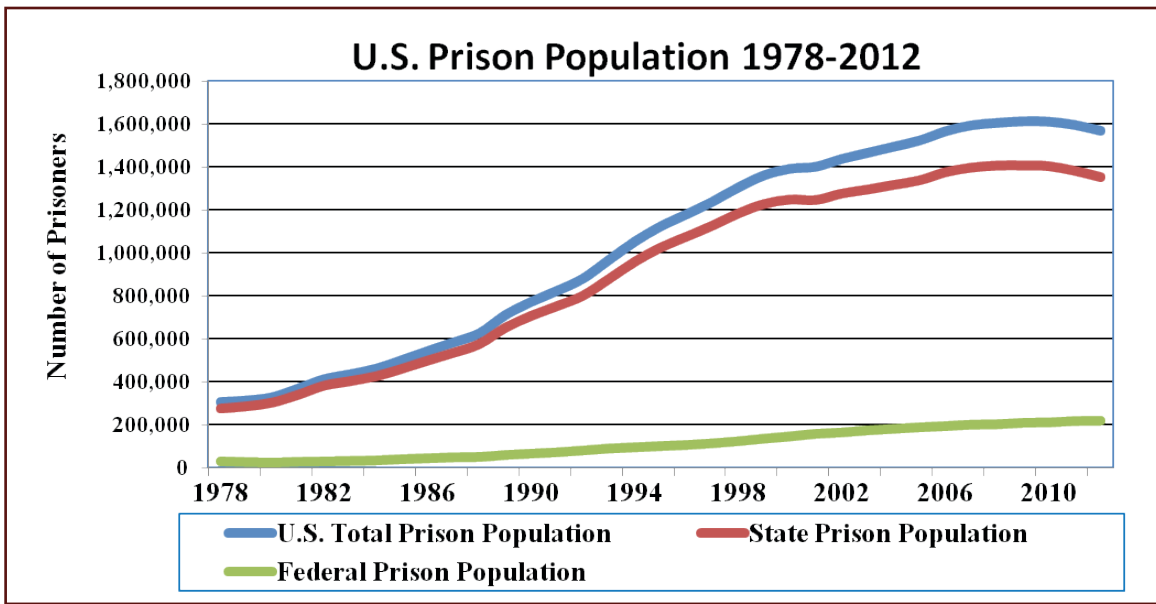
number of inmates under state jurisdiction has gone from 305,000 to 1.35 million in the same time period.³ Growth in the prison population has necessitated an expansion of prison system facilities, the state employee workforce and resources for other needs, such as inmate health care. However, after decades of prison system expansion, states are beginning to enact and implement corrections reforms to bring down the size of the inmate population by seeking to reduce recidivism and directing resources to incarceration alternatives.

We have studied state systems and been impressed by the policy shifts some have made. I hope other state systems will follow our lead and implement changes as well.

-U.S. Attorney General, Eric Holder speaking before the American Bar Association on August 12, 2013.

From 1985 to 1995, the average annual increase in the state prison population was more than 6 percent.⁴ In 1989 alone, the state inmate population grew by 12 percent from the prior year. However, these rates of growth are no longer the norm. In calendar 2012, the number of state inmates declined for the third consecutive year, marking a shift in the direction of long-standing incarceration trends.⁵ The number of state prisoners declined by 2.1 percent in 2012 compared to 2011 with much of the decrease attributable to California's Public Safety Realignment program. Eight other states (Texas, North Carolina, Colorado, Arkansas, New York Florida, Virginia and Maryland) also decreased their prison population by over 1,000 inmates in 2012. In addition to the overall decline in the number of state prisoners, the incarceration rate, or number of prisoners per 100,000 people, also fell in 2012 to 418 from 429 in 2011.⁶

The declines in the state prison population over the past three years could be considered minimal, but the trend is promising for state budgets because



Source: Bureau of Justice Statistics, Prisoners under the jurisdiction of state or federal correctional authorities, December 31, 1978-2011 & Prisoners in 2012 - Advance Counts.

incarceration is costly. The Bureau of Justice Statistics notes that state spending on correctional institutions accounts for about 75 percent of state correctional expenditures.⁷ Non-institutional expenditures related to probation, parole, centralized administrative functions and other items, comprise roughly 20 percent of the total. From 2002 to 2010 capital outlays have made up less than 5 percent of state correctional expenditures, after reaching between 8.5 and 13.5 percent of total correctional expenditures in the early 1990's.⁸

The Department of Justice estimates that states and the federal government combined spent \$80 billion on corrections in 2010.⁹ The average daily cost per offender for states is \$79.84, compared to \$77.49 for federal inmates.¹⁰ Based on these estimates, the average annual cost for states to house an inmate would be \$29,141, with the cost to the federal government remaining slightly less at \$28,283.

Institutional crowding at the federal level, variations in the inmate to staff ratio requirements and differences in the characteristics of the federal and state prison populations may account for the discrepancy in daily costs between levels of government.¹¹ A study done by the Vera Institute of Justice provides another set of annual cost estimates for states by including costs not always included in correctional budgets.¹² The Vera Institute of Justice estimates among 40 states surveyed, the average, full cost for states to incarcerate an individual for one year is \$31,286.¹³ However, the Vera Institute also found that the average annual cost to incarcerate an inmate varies substantially across states.

Regardless of differing cost estimates, incarceration is expensive for the federal government and states, and the process is not becoming cheaper. Despite technological advancements to policing, prisons are labor intensive because inmates require monitoring 24 hours a day,

The Vera Institute of Justice Per-Inmate Cost Estimates

Per-inmate Cost	Number of States
\$45,000-\$60,000	8
\$35,000-\$45,000	7
\$25,000-\$35,000	11
\$15,000-\$25,000	14

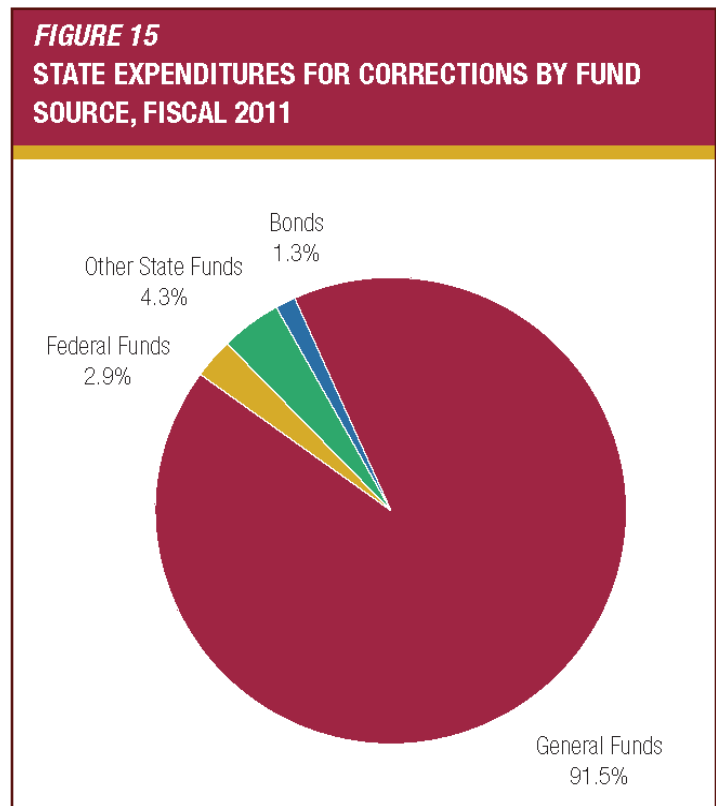
Source: *The Price of Prisons: Measuring the Costs of Incarceration*, page 9. Presentation by the Vera Institute at the National Conference of State Legislatures Fiscal Analysts Seminar, August 2012.

Note: Only 40 states were included in this study.

and the median wage for correctional officers is slightly higher than that of the state government workforce.¹⁴ Retiree health care benefits and pension contributions for correctional officers are also partly responsible for the rise in incarceration costs. The inmate population is also ageing, causing health care costs for prisoners to increase significantly. The Urban Institute estimates that anywhere from 9 to 30 percent of correctional costs can go to inmate health care.¹⁵ In general, prisoners tend to suffer from greater rates of mental illness, substance abuse, injuries, and chronic and communicable diseases. In response to these challenges, state correctional departments are implementing a number of actions to control inmate health care costs, such as switching to generic drugs, renegotiating hospital fees, utilizing remote services, screening inmates through annual exams, and sharing services with other organizations.¹⁶ Aspects of incarceration costs that are most susceptible to inflationary pressures, such as inmate health care and personnel expenses, are providing an incentive to reexamine long standing criminal justice policies in an effort to reduce the prison population and control the overall cost of public safety.

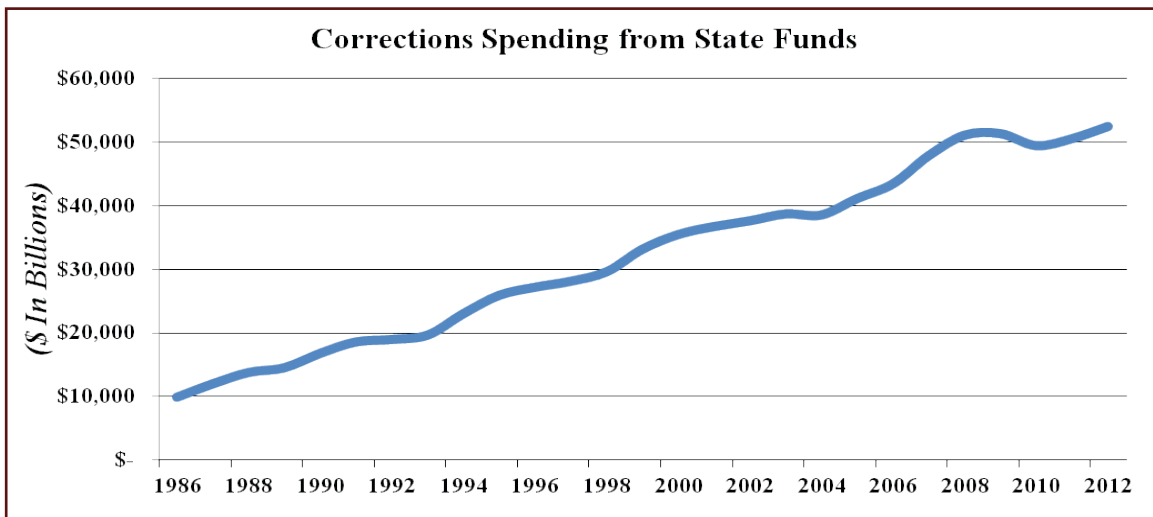
State Corrections Spending Trends

In contrast to other program areas, such as Medicaid or higher education, state correctional services are almost entirely funded by states' general fund dollars. General fund spending represents the primary component of discretionary expenditures of revenue derived from



Source: NASBO State Expenditure Report, 2011

general sources that have not been earmarked for specific purposes. This means that states have much greater control over correctional budgets compared to Medicaid or transportation, which rely heavily on federal funds and dedicated taxes. States also face less maintenance of effort (MOE) spending requirements for corrections,



Source: NASBO State Expenditure Report 1988-2011

Note: Spending for corrections, like many areas of state government, declined in fiscal 2010 due to the Great Recession.

therefore limiting federal influence over state public safety spending choices. Correctional budgets are instead shaped largely by state criminal justice policies and other factors rather than the intergovernmental funding environment, which should incentivize and empower states that are considering policy reform.

State correctional spending patterns reflect the rise in the prison population that began in the early 1980's and persisted until 2010.¹⁷ Expansion of the state prison population required increased spending for capital infrastructure, the state employee workforce, and the administrative needs of the judicial system. From fiscal 1986 to fiscal 2012, spending from state funds¹⁸ for corrections increased by 427 percent from \$9.9 billion to \$52.4 billion (without adjusting for inflation).¹⁹ By comparison, total spending from state funds increased by 315 percent over the same time period.

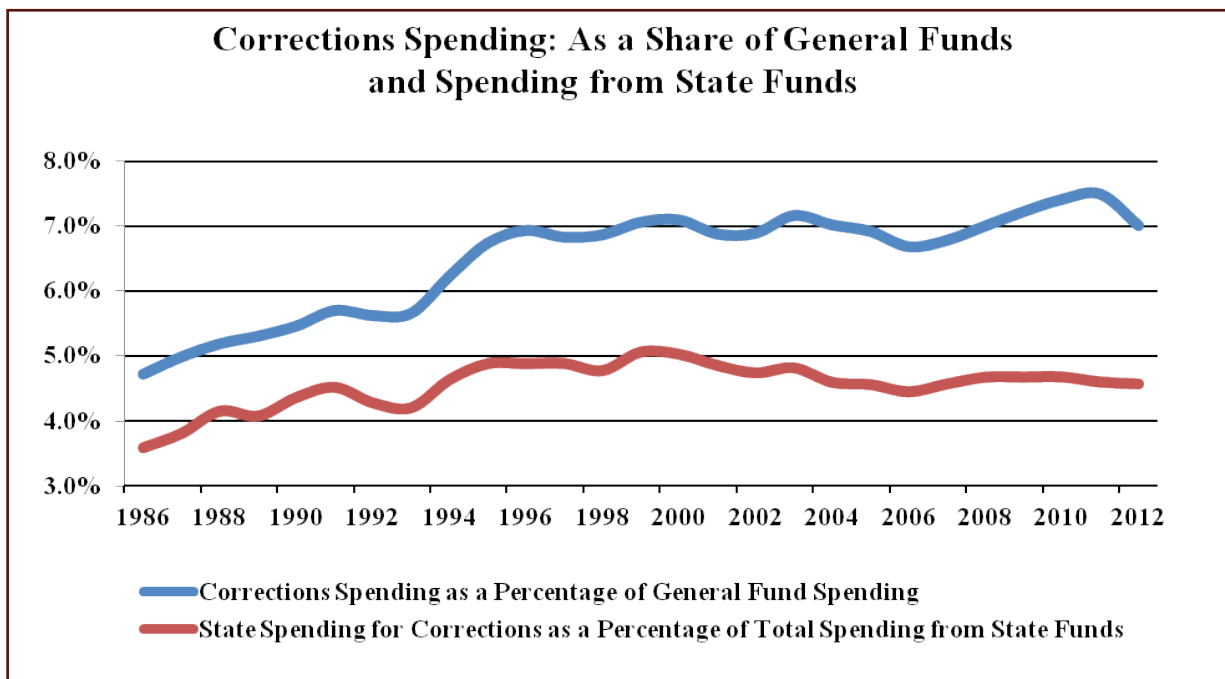
For many states, the effect of disproportionate growth in correctional spending led to a larger share of general fund dollars going to corrections. Since the mid 1980's, the share of general fund budgets going to corrections doubled in 15 states and increased by at least half in 31 states.²⁰ In the aggregate, corrections spending has gone from 4.7 percent of general fund spending in fiscal 1986 to 7.0 percent in fiscal 2012, an increase of 2.3 percentage points. This additional 2.3 percent of state

general funds was equivalent to \$15 billion in fiscal 2012.²¹

Corrections expenditures, as a percent of spending from total state funds, (general funds, other state funds and bonds), have remained more stable, and the rate of increase has been lower compared to the growth in general fund spending. Corrections spending as a share of state funds has gone from 3.6 percent in fiscal 1986 to 4.6 percent in fiscal 2012, an increase of 1 percent.²² This figure has remained more stable due to the rise in earmarked funds or trust funds in other program areas besides corrections that designate revenues for specific purposes set by statute. For example, higher education derives much of its state funding from designated revenue streams outside the general fund. To some extent, this trend may have insulated other program areas from budgetary pressures related to increased general fund spending for corrections.

Criminal Justice Policy Reforms

Fiscal constraints induced by the most recent recession have led state policy makers to examine all areas of the budget more closely. Many states are finding the opportunity cost from directing more resources to corrections year after year too high, resulting in significantly less money for other priorities like education or infrastructure. There is evidence that increased incarceration rates have some



Source: NASBO State Expenditure Report 1988-2011

effect on reducing crime, but crime rates are shaped by a complex set of factors apart from state spending for incarceration.²³ In addition, there is a growing body of data-driven literature that calls into question the effectiveness of criminal justice policies enacted in the 1980's and 1990's, such as mandatory sentencing or habitual offender laws. To reduce budgetary pressures from correctional spending and improve public safety, a number of states are implementing cost-effective strategies that have better demonstrated outcomes for individuals and the budget.

In recent years, no fewer than 17 states – supported by the Department, and led by governors and legislators of both parties – have directed funding away from prison construction and toward evidence-based programs and services, like treatment and supervision, that are designed to reduce recidivism.

-U.S. Attorney General, Eric Holder speaking before the American Bar Association on August 12, 2013.

The Justice Reinvestment Initiative (JRI) is a joint collaboration between the federal Bureau of Justice Assistance and various nonprofit groups that work with states (and 17 localities) that are interested in criminal justice policy reforms. The JRI is “a data-driven approach to criminal justice reform designed to generate cost-savings that can be reinvested in high-performing public safety strategies.”²⁴ Seventeen states participate in the initiative, which develops state specific solutions that account for differing legal, administrative, budgetary, and demographic factors. Additionally, 27 states have amended sentencing and corrections policies by utilizing a justice reinvestment framework.²⁵

In general, states are targeting criminal justice reforms to address the cost drivers of correctional budgets in such a way that public safety is not put at risk. For example, 21 states have amended drug offense classification and penalties since 2010.²⁶ Justice reforms that seek incarceration alternatives for drug offenders have demonstrated cost savings and improved outcomes, especially for non-violent

drug offenders. Texas appropriated \$240 million in the 2008-2009 biennium for correctional programs focusing on treatment, rehabilitation and enhanced local supervision and discretion. The state's reforms led to \$443 million in estimated savings that were utilized for other areas of the corrections budget.²⁷ Justice reinvestment reforms are relying more on local government discretion as well, to enhance probation and parole oversight. Twenty states have enacted graduated sanctions for technical parole violations to help states reduce prison costs and the number of inmates.²⁸

Despite the demonstrated successes of criminal justice reforms, cost savings have yet to produce an overall decline in corrections spending. However, the policy reforms are improving the way states spend money for corrections, and the outcomes show better results for individuals and citizens. Over time, the cost savings from smart, criminal justice policies may lead to correctional spending declines, an outcome that would benefit all of state government.

Conclusion

Many states are utilizing the savings from reducing the prison population to further improve outcomes from the criminal justice system and help fund correctional budgets that have grown substantially over the last three decades. In contrast to the federal prison system, states have experienced three consecutive years with declines in the prison population. States are bringing down the number of inmates under their jurisdiction by reducing recidivism, instituting crime prevention programs, implementing parole and probation reforms, decriminalizing certain non-violent drug offenses, enhancing community supervision and drug treatment programs, and enacting sentencing reforms. However, continued growth in correctional budgets and the persistent rise in the costs of incarceration, indicate an underlying potential for even greater savings from policy reforms. Aspects of incarceration most susceptible to inflationary pressures, such as inmate health care and employee wages and benefits, are likely to represent the areas whereby states can achieve the greatest savings from a smaller inmate population in the future. Whether or not the savings from justice policy reforms will free up state revenue for other areas of the budget has yet to be determined.

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- ⁹ The United States Department of Justice. August 2013. “Smart on Crime: Reforming the Criminal Justice System for the 21st Century.” Pg. 2.
- ¹⁰ The United States Department of Justice. August 2012. “Rising Prison Costs: Restricting Budgets and Crime Prevention Options.” Statement for the Record from the Director of the Federal Bureau of Prisons before the Committee on the Judiciary United States Senate. Pg. 2.
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