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Prison costs raise concern

MAT-SU FACILITY: Lawmakers take new look at privatizing amid budget crunch.

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JUNEAU -- Legislators are cringing at the cost of the planned new jumbo state prison in the Matanuska-Susita Borough and want to look at turning it into a private prison. That's a topic that in the past proved to be one of the most contentious in Alaska politics.

State representatives are also reluctant to pony up an additional \$20 million the Palin administration has requested for the \$240 million project. Enthusiasm for the project isn't what it used to be before oil prices plummeted, dragging state revenues down with them.

Fairbanks Republican Rep. Mike Kelly took over the corrections budget in the state House this year and said that -- if he could -- he would slow the project down. But the bonds for construction have already been sold. That's left lawmakers with few options.

One is to privatize operations of the prison when it opens. So Kelly put language in the budget that passed the House on Friday asking the corrections department to investigate doing just that.

"The intent says, hey, take a look at what we might save in this (expensive) hill to climb and see if we have a private operator -- if that would make sense," Kelly said.

Private prisons have been hugely controversial in Alaska.

"They've figured prominently into a lot of the problems we've had," said Eagle River Republican Rep. Bill Stoltze, an influential supporter of keeping the project in state hands.

The ongoing federal corruption investigation, which has resulted in indictments or guilty pleas from 12 lawmakers, lobbyists and others, began with inquiry into a push to build a private prison in the state. Bill Weimar, once king of Alaska's private halfway houses, pleaded guilty to corruption charges last year after funneling \$20,000 in 2004 to help a state legislative candidate, knowing that if elected the candidate would support his interest in building a private prison.

NUMBER OF PRISONERS DOWN

Political battles over private prisons in Alaska kept the state's jail-building efforts on hold for a decade. In the meantime, the lack of space in Alaska's correctional system has the state sending hundreds of Alaska prisoners to a private prison in Arizona.

Using both raw political muscle and arguments about saving money and bringing Native prisoners home, backers of the private prisons won legislative support for successive plans aimed at facilities in Anchorage, Delta Junction, Kenai and Whittier. Among the members of the consortium that pushed for private prisons was Veco, the now-defunct construction firm that is at the heart of Alaska's political corruption scandal. But each private plan eventually died in the face of local opposition, resistance from prison guard unions and skepticism from governors of both parties.

The prison fight appeared to be over after Senate President Lyda Green, who is now retired, pushed through the new state prison to be built in her home area of the Mat-Su. The planned Goose Creek Correctional Center, about nine miles north of Point Mackenzie, will be the largest prison in Alaska at 1,536 beds. The Mat-Su Borough sold the \$240 million in construction bonds for it earlier this year.

The state is to lease the prison for 25 years, covering the borough's bond payments.

Fairbanks Rep. Kelly said the number of Alaska prisoners is down, at least for the moment, and it would have been a lot cheaper for the state to leave the prisoners in Arizona. But that's not going to happen, with the Mat-Su construction going ahead.

The top budget writer in the state House, Rep. Mike Hawker, also supports a privatization study.

"It's something that always has to be considered as we look at declining state revenues and an inability to meet our spending levels," the Anchorage Republican said.

REPORT DUE BACK IN 2010

The Mat-Su prison is estimated to have over 350 staff jobs after it opens in 2012. Hawker said that's going to be a problem unless state government figures out a way to deal with its gap between expenses and income as oil production steadily declines.

"Adding and keeping those employees on the state is not something we're going to be able to sustain into the very near term future here," Hawker said. "Whether it's operated on a (private) contract basis or operated on a state-owned basis, we frankly don't have the money to do either one in the future for very long."

Corrections officials are asked to report back with their findings on privatization by next spring.

State corrections officials have never been big fans of privatizing their work. Deputy Corrections Commissioner Dwayne Peeples said officials haven't come up with a position on the potential of privatizing the Mat-Su prison. But he said any savings would "probably be fairly marginal." Costs of the construction bonds, the utilities and food would all be basically the same whether it is a private or public prison, he said.

"The only cost difference you would really have would be in staff operating. And that's really hard to come up with what the private sector could do versus the state," he said.

He said the only way to get good cost numbers would be to put the contract out to bid and then sit down and negotiate. "Because everybody off the cuff will spin you theories and cost estimates and everything else that are probably meaningless until you sit down and say 'hey you've got to sign the contract and actually do it,'" he said.

Peeples said he hasn't figured out exactly how he's going to do the privatization study other than "do some literature research and say, this is what the literature says."

Rep. Kelly said he knows it's difficult but plans to work with Peeples to figure out how to get meaningful information. He said the cost to the state of paying the bonds and running the Mat-Su prison is going to combine for around \$30 million a year.

Kelly also put language in the budget limiting the state spending on the project. Peeples said that looks to impede the Palin administration from getting up to \$20 million it has requested to deal

with higher interest rates in the project. That's not going to stop construction, he said, but could pose a problem depending on cost overruns.

The governor could still get the additional \$20 million through the separate state House construction budget, which is being crafted by Rep Stoltze of Chugiak -- a prison supporter. The state Senate also has not had its crack at the budget yet this year.

Sean Cockerham is covering the legislative session from Juneau. Read more on our Alaska Politics blog at adn.com/alaskapolitics.

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