

HB

428

(FILE 1)

HFIN

FILE

FISCAL NOTE

X

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSHB 4281

Revision Date: 2/21/96 Dept. Affected: Corrections
 Title: "An Act giving notice of and approving a lease-
purchase agreement for construction and operations..." BRU: ALL
 Sponsor: House Finance Component: _____
 Requester: House-Finance COMPONENT SERIAL NO. #0694

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES		0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	3,005.9					
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
1002 Federal Receipts						
1003 GF Match						
1004 GF		0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other CIP	3,005.9					
TOTAL	3,005.9	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This is a revised fiscal note superseding the single page fiscal note dated 2/19/96 containing the \$3,129.5 dollar amount. This revision reflects a reduction in the DOA fiscal note from \$580.0 to \$456.3 and deletes operating dollar amounts.

This bill would allow the DOC working through the DOA to secure the construction and operation of a jail/prison facility. The bill specifies that the construction is to be financed by the private contractor and paid for through a lease purchase agreement. The DOC would serve as the lead agency through the completion of the project. DOC, DOA and DCT&PF would provide services as described in the fiscal notes submitted by each department. The sum of all fiscal notes, including DOC is shown as a capital expenditure in this DOC fiscal note. Funds required by the other departments would be provided by RSA from the DOC. Note, the detailed fiscal notes from the above departments are for informational purposes. Only funding for this fiscal note would be required in order to proceed with this bill.

RSA to DOA \$ 456.3
 RSA to DOT&PF \$ 1,060.0
 DOC costs \$ 1,489.6

Prepared by: Jerry Shriner
 Division: Office of the Commissioner
 Approved by Commissioner: Margaret H. Pugh Margaret Pugh
 Agency: Department of Corrections

Phone: 465-4652
 Date: 2/21/96
 Date: 2/21/96

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(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: February 5, 1996

FURTHER REFERRALS:

Date of Committee Action: 2/28/96

The FINANCE Committee considered:

HB 428

HOUSE BILL NO. 428

LEASE-PURCHASE CORRECTIONAL FACILITY

"An Act giving notice of and approving a lease-purchase agreement for construction and operation of a correctional facility in the Third Judicial District, and setting conditions and limitations on the facility's construction and operation."

recommends it be replaced with the following committee substitute (S HB 428 (FIN)) [] the same title [X] a new title

[] additional referral to _____ Committee [] attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date) [X] fiscal note(s) DOR [] fiscal note(s)

[] zero fiscal note(s) [X] zero fiscal note(s) DOR 2/5/96

Table with 5 columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Rows include names like Mulder, Parnell, Kinning, Grussendorf, Kelly, Thernawit, Brown, NAVARRE, and Foster.

CO CHAIR'S SIGNATURE

Richard Foster (Signature)

February 2/28/96
Attachment #1
9-LS1338R.10
Chenoweth
2/9/96

HELD

AMENDMENT #1

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 428()

1 Page 3, line 22, after "capacity":

2 Delete "and"

3 Page 3, line 27, after "contractor":

4 Insert "; and

5 (4) may employ in the operation of the correctional facility only state
6 residents"

7 Page 4, line 16, after "hire":

8 Insert "and employ only state residents. and to hire"

AMENDMENT #2 Failed 1-8

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 428()

1 Page 4, following line 20:

2 Insert a new bill section to read:

3 "* Sec. 4. CONSTRUCTION OF CORRECTIONAL FACILITY IS A PUBLIC
4 CONSTRUCTION PROJECT. Construction of the correctional facility to be constructed and
5 operated under this Act is a project within the meaning of the term "public construction" set
6 out in AS 36.95.010. The provisions of AS 36.05.010 apply to work performed on
7 construction of the correctional facility."

8 Renumber the following bill sections accordingly.

AMENDMENT #3 Failed 2-7

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 428()

1 Page 3, following line 18:

2 Insert a new paragraph to read:

3 "(1) may not be constructed under the authority given in this Act unless,

4 (A) before commencing construction planning, the commissioner of
5 corrections first conducts a feasibility study, including a cost-benefit analysis, that
6 examines various methods available to the state for relieving or eliminating the state's
7 prison overcrowding; and

8 (B) the feasibility study conducted under (A) of this paragraph
9 demonstrates that construction and operation of the correctional facility described in
10 (a) of this section

11 (i) offers a positive cost-benefit ratio when compared to
12 alternative methods considered; and

13 (ii) is otherwise feasible to relieve or eliminate overcrowding
14 of existing correctional facilities;"

15 Renumber the following paragraphs accordingly.

Withdrawn
AMENDMENT #4

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 428()

1 Page 3, following line 18:

2 Insert a new paragraph to read:

3 "(1) may not be constructed under the authority given in this Act unless,
4 before commencing construction planning, the commissioner of corrections first conducts a
5 study, and the study demonstrates that construction of the correctional facility described in
6 (a) of this section will result in a saving to the state of at least 5 percent when compared
7 to construction of the facility by the state using the usual and customary state construction
8 practices;"

9 Renumber the following paragraphs accordingly.

Held

AMENDMENT #5

OFFERED IN THE HOUSE
TO: CSHB 428()

BY REPRESENTATIVE BROWN

1 Page 3, line 22, after "capacity;":

2 Insert a new paragraph to read:

3 "(3) may not be constructed for operation by a contractor under the authority
4 given in this Act unless, before commencing construction planning, the commissioner of
5 corrections first conducts a study, and the study demonstrates that operation of the
6 correctional facility described in (a) of this section will achieve a saving to the state of at
7 least 5 percent when compared to operation of the correctional facility by the Department
8 of Corrections;" ~~as of 7/97 a Study of~~
~~Department~~

9 Renumber the following paragraph accordingly.

AMENDMENT #6

Failed 3-6

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 428()

- 1 Page 3. lines 3, after "into":
- 2 Delete "a lease-purchase agreement with a private third-party contractor"
- 3 Insert "one or more lease-purchase agreements with one or more private third-party contractors"

Attachment 7
2/28/96

Failed 3-7

~~Heleb~~

R.11

AMENDMENT #7

OFFERED IN THE HOUSE
TO: CSHB 428 ()

BY REPRESENTATIVE BROWN

1 Page 3, line 26:

2 Delete "or"

3 Page 3, line 27, after "contractor":

4 Insert "; or

5 (C) the state is able to operate the
6 correctional facility at less cost than a third-party
7 contractor"

Attachment #8

2/28/96

(Failed 3-8)

R.12

AMENDMENT #6

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 428 ()

1 Page 3, line 26:

2 Delete "or"

3 Page 3, line 27. after "contractor":

4 Insert "; or

5 (C) the state determines that it is
6 in the best interest of the state for the correctional
7 facility to be operated by the state or by the political
8 subdivision or public corporation of the state"

Attach #9

9-LS1338R.5 ✓

Chenoweth

2/6/96

(Failed 3-8)

AMENDMENT #9

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSHB 428()

1 Page 3, line 23:

2 Delete "temporarily"

AHahn #10

9-LS1338\R.6 ✓

Chenoweth

2/16/96

(withdrawn)
AMENDMENT #10

OFFERED IN THE HOUSE

BY REPRESENTATIVE BROWN

TO: CSFB 428()

- 1 Page 4, line 2, after "correctional officers.":
- 2 Insert "The Department of Corrections shall establish procedures for background and
- 3 record checks on personnel hired to staff the correctional facility and shall adopt regulations
- 4 for verifying that correctional officers and other staff employed at the correctional facility
- 5 have received proper training consistent with AS 18.65.130 - 18.65.290 to work with
- 6 incarcerated felons."

Attach # 11

failed 4-7

AMENDMENT #11 Amended

OFFERED IN THE HOUSE
TO: CSHB 428()

BY REPRESENTATIVE BROWN

1 Page 3, line 14

2 Delete "and"

3 Page 3, line 16, after "facility":

4 Insert ";and (4) In case of default by a contractor, for any

5 ~~season-whatsoever~~, the State of Alaska may procure the goods

6 or services from another source and hold the defaulting

7 contractor responsible for any ^{Reasonable} ~~resulting excess~~ cost, and may

8 seek other remedies under law or equity."

Withdraw

AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 428()

BY REPRESENTATIVE BROWN

- 1 Page 1, line 5
- 2 Delete "a lease-purchase agreement"
- 3 Insert "lease-purchase agreements"

- 4 Page 1, line 6, after "District":
- 5 Insert "and correctional facilities in other judicial
- 6 districts"

- 7 Page 1, line 7, after "the":
- 8 Delete "facility's"
- 9 Insert "facilities"

- 10 Page 3, line 5, after "of":
- 11 Delete "a correctional facility"
- 12 Insert "correctional facilities"

- 13 Page 3, line 5, after "District":
- 14 Insert "or other judicial districts"

- 15 Page 3, line 6, after "corrections.":
- 16 Delete "The"
- 17 Insert "A"

pg 3,
delete
(The)

9 + 10
~~delete~~
Add facilities

conception
for
confirming

9-LS1338U
Chenoweth
2/13/96

CS FOR HOUSE BILL NO. 428()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the authority of the Department of Corrections to contract
2 for facilities for the confinement and care of prisoners, and annulling a regulation
3 of the Department of Corrections that limits the purposes for which an agreement
4 with a private agency may be entered into; and giving notice of and approving
5 a lease-purchase agreement for the design, construction, and operation of a
6 correctional facility in the Third Judicial District, and setting conditions and
7 limitations on the facility's design, construction, and operation."

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 * Section 1. AS 33.30.031(a) is amended to read:

10 (a) The commissioner shall determine the availability of state correctional
11 facilities suitable for the detention and confinement of persons held under authority of
12 state law or under agreement entered into under (e) of this section. If the
13 commissioner determines that suitable state correctional facilities are not available, the

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commissioner may enter into an agreement with a public or private agency to provide necessary facilities, subject to the following:

(1) the commissioner may not enter into an agreement with a public or private agency that is unable to provide a degree of custody, care, and discipline to the extent required by the laws of this state:

(2) correctional [. CORRECTIONAL] facilities provided through agreement with a public agency for the detention and confinement of persons held under authority of state law may be in this state or in another state;

(3) correctional [. CORRECTIONAL] facilities provided through agreement with a private agency

(A) must be located in this state unless the commissioner finds in writing that

(i) [(1)] there is no other reasonable alternative for detention in the state; and

(ii) [(2)] the agreement is necessary because of health or security considerations involving a particular prisoner or class of prisoners, or because an emergency of prisoner overcrowding is imminent;

(B) may provide for the detention and confinement of all persons held by the commissioner under authority of state law, whether charged with or convicted of felonies or misdemeanors, without regard to the custody classifications for prisoners as determined by the commissioner, unless the security of the facility is inconsistent with those custody classifications; and

(C) may not be administratively restricted or limited by the commissioner to use only for prisoners involved in certain rehabilitative or treatment programs authorized by law. [THE COMMISSIONER MAY NOT ENTER INTO AN AGREEMENT WITH AN AGENCY UNABLE TO PROVIDE A DEGREE OF CUSTODY, CARE, AND DISCIPLINE SIMILAR TO THAT REQUIRED BY THE LAWS OF THIS STATE.]

* Sec. 2. NOTICE AND APPROVAL OF LEASE-PURCHASE AGREEMENT. (a) To

1 provide for the design, construction, and operation of a new correctional facility in order to
2 relieve overcrowding of existing correctional facilities, the Department of Administration, on
3 behalf of the Department of Corrections, may enter into a lease-purchase agreement with a
4 private third-party contractor under AS 33.30.031 for the design, construction, and operation
5 of a correctional facility in the Third Judicial District that will house persons who are
6 committed to the custody of the commissioner of corrections. The project approval given by
7 this subsection is subject to the conditions of (b) of this section and to the following
8 limitations:

9 (1) the total construction and related costs of establishing the correctional
10 facility may not exceed \$100,000,000;

11 (2) the total lease payments for the full term of the agreement may not exceed
12 \$200,000,000 and the anticipated annual amount of the rental obligation to be paid by the
13 Department of Corrections under the lease must be reasonably commensurate with that total;
14 and

15 (3) at the end of the term of the lease-purchase agreement, the state shall own
16 the correctional facility.

17 (b) The correctional facility to be designed, constructed, and operated under the notice
18 and approval given in (a) of this section

19 (1) must be designed and constructed so as to house, in separate housing,
20 female prisoners and male prisoners;

21 (2) may not contain a total population of more than 1,000 prisoners, but must
22 be designed and constructed so as to allow expansion of the facility to a greater capacity; and

23 (3) may not be operated by the state except temporarily when

24 (A) the private third-party contractor with whom the state has entered
25 into an agreement to operate defaults in performance under the contract and state
26 operation is reasonably necessary to ensure the facility's continued operation; or

27 (B) the state is unable to contract with a private third-party contractor.

28 (c) If required by the commissioner of corrections as a condition of the correctional
29 facility's operation, in the award of a contract for the operation of the correctional facility to
30 be designed, constructed, and operated under the notice and approval given in (a) of this
31 section, the Department of Administration shall require that persons employed by the

1 contractor as correctional officers in the facility meet the requirements of AS 18.65.130 -
2 18.65.290 that are applicable to correctional officers.

3 (d) Subsection (a) of this section constitutes the notice and approval required by
4 AS 36.30.085.

5 * Sec. 3. CONSTRUCTION OF CORRECTIONAL FACILITY UNDER PROJECT
6 LABOR AGREEMENT. (a) The purpose of this section is to enable the state to meet its
7 obligation to improve the care and custody of the prisoners for which it is responsible at an
8 early date through the completion of construction of a major correctional facility by structuring
9 labor relations at the job site of the correctional facility in the interests of industrial harmony
10 and in a way that makes optimal use of construction resources.

11 (b) Notwithstanding any restrictions that may be applicable under AS 36.30, the
12 correctional facility described in sec. 2 of this Act may be constructed only under a public
13 construction project labor agreement between the building construction contractor and one or
14 more building trade unions; the labor agreement must provide

15 (1) a no-strike and no-slowdown pledge by the union or unions;

16 (2) a commitment on the part of the construction contractor to hire through
17 local union hiring halls; and

18 (3) a provision allowing not more than 15 percent of the construction
19 contractor's workforce on the public construction project to be composed of persons who are
20 not members of the union or unions.

21 * Sec. 4. Nothing in sec. 2 of this Act precludes operation of the correctional facility
22 described in sec. 2(a) of this Act by a private third-party contractor comprised of persons
23 employed by the Department of Corrections.

24 * Sec. 5. 22 AAC 05.300(e) is annulled.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSHB 4281

Revision Date: _____ Dept. Affected: Corrections
 Title: An Act giving notice of and approving a lease- BRU: ALL
purchase agreement for construction and operations..... Component: _____
 Sponsor: House Finance
 Requester: House Finance COMPONENT SERIAL NO. #0694

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	171.7	174.3	176.9	179.5	182.2	185.0
TRAVEL						
CONTRACTUAL	300.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	20.0	20.0	20.0	20.0	20.0	20.0
TOTAL OPERATING	491.7	194.3	196.9	199.5	202.2	205.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other	491.7	194.3	196.9	199.5	202.2	205.0
TOTAL	491.7	194.3	196.9	199.5	202.2	205.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME	3					
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill would allow the DOC to enter into a single combined lease/purchase and operational agreement with a private third party to provide up to 1000 jail/prison beds at a construction cost of not more than \$100,000,000. The bill is silent regarding the cost of operation. This fiscal note states those costs associated with planning and management. No costs of site procurement, construction or operation are included.

CONTINUED ON PAGE 2

Prepared by: Jerry Shriner
 Division: Office of the Commissioner
 Approved by Commissioner: Margaret Pugh
 Agency: Department of Corrections

Phone: 465-4652
 Date: 2/19/96
 Date: 2/19/96

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The DOC would secure consultant services to develop :

- 1/ a feasibility study determining the potential costs and benefits which would result from contracting facility operations,
- 2/ a feasibility study to determine the system wide impact of a large centralized facility in the Third Judicial District;
- 3/ and a staffing and operational plan including operational standards.

\$300.0 has been requested for this purpose.

The DOC would be required to provide DOA sufficient information and consultation necessary to:

- 1/ finalize site selection.
- 2/ prepare an RFP for the construction of a facility of up to 1000 jail/prison beds in the Third Judicial District;
- 3/ and prepare an RFP seeking private providers to construct and operate the facility.

DOC will need to maintain constant project planning and oversight capability throughout the life of the project which is expected to take five or more years.

The duties of a **Criminal Justice Planner** (\$71.9) would change as the project progressed. At the outset this position would assist in preparing the RFP for consulting services and would assist throughout with governmental liaison, community relations related to site selection, construction and operation. Prisoner movement, programming, staffing and operational contractor start-up would be the responsibility of this position.

The **Facilities Manager I** (\$67.4) will serve as DOC's first line of oversight and project management site selection, facility design, and construction. The need for this position will extend through final acceptance of the facility.

The **Administrative Clerk I** (\$32.5) will be required throughout the project to prepare research, maintain files and records and generally provide necessary support to the **Criminal Justice Planner** and **Facilities Manager I**

For each position above the salary is shown as annual. It is included for the expected six year duration of the project and has been budgeted with a 1.5% increment each year after FY 97

\$20.0 annually is included to pay for office space, equipment, supplies, travel, etc.

R10 2/28/96

Revision Date: _____ Dept. Affected: Revenue
 Title: Lease Purchase Correctional Facility BRU: Revenue Operations
 Component: Treasury Management
 Sponsor: House Finance Committee
 Requestor: (H) JUD COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Fayrest Browne, Debt Manager Phone: 465-3750
 Division: Treasury Date: 1/25/96
 Approved by Commissioner: [Signature] Date: 1/25/96
 Agency: Department of Revenue

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House Bill No. 428 approves a lease-purchase agreement for the financing, construction, and operation of a correctional facility.

Operating Budget

The legislation would have no impact on the Treasury Division's operating budget.

Debt Financing Issues

Our comments are based on several assumptions. First, the lease will be long-term. Second, the lease-purchase agreement terms will be in part based on the contractor borrowing up to \$100,000,000 for designing, constructing, and equipping the facility. And finally, the financing, construction, and operation of the facility will be bundled into a single contract.

If the assumptions are correct, several issues come to mind that may need to be considered.

- 1) This lease-purchase will be considered debt from a bond rating perspective and will be recorded as such in the State's financial statements.
- 2) The contractor may want to securitize the State's lease and offer this debt in the domestic or international financial markets in order to obtain the funds necessary for construction. This process raises several more questions.
- 3) Securitizing the lease over a period of time beyond the expected *Prudential Yield Curve* may have an affect on the State's current bond rating. We are working with our financial advisor to convince the marker that the State is working on a plan to fill the fiscal gap and reduce our dependence on oil revenues.
- 4) Consideration should be given to an overall strategy dealing with infrastructure and capital needs of the State. Agreements as outlined in HB No. 428 are only a portion of the total picture. This agreement will reduce the State's debt capacity as we offer our credit to a private contractor and at the same time give up the right to have any control over the debt issuing process.

Can a private contractor issue securitized state leases cheaper than the State? The answer is probably not. We can access tax exempt markets using our existing contracts with our own financial advisor and bond counsel and borrow money at very competitive rates.

Advantages of securing our own financing include the ability to refinance at any time favorable market conditions provide savings. Also, we eliminate the need to unbundle the lease-purchase from the construction and operating contracts should problems arise due to non-performance or default on the part of the contractor.

FISCAL NOTE

R/O 2/28/96

STATE OF ALASKA
LEGISLATIVE SESSION

BILL NO. CSHB 428 (FIN)

Title: An Act giving notice of and approving a
lease-purchase agreement for construction & operations...
Sponsor: House Finance
Requestor: _____

Dept. Affected Corrections
BRU: All
Components: _____
Serial # #0694

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	300.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	300.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE	0.0	0.0	0.0	0.0	0.0	0.0
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund	300.0	0.0	0.0	0.0	0.0	0.0
Federal Fund	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	300.0	0.0	0.0	0.0	0.0	0.0

POSITIONS :

Full-Time	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

\$100.0 thousand dollars for RSA to the Dept. of Transportation & Public Facilities initial design specification work for Request for Proposal;
\$100.0 thousand dollars RSA to DOA to work on site selection & issue RFP; and
\$100.0 thousand dollars for DOC to contract for identifying population to be served in contract prison, and prepare requirements for contract prison.
Balance of needs identified will be included in financing package as capitalized costs.

Prepared by: House Finance Committee
Rep. Mark Hanley, Co-Chair
Rep. Richard Foster, Co-Chair

Date: 2/28/96
Phone: 465-4939
Phone: 465-3789

STATE OF ALASKA
1996 LEGISLATIVE SESSION

FISCAL NOTE
REPORTED OUT OF
HFC

BILL NO. CSHB 4281

Revision Date: _____ Dept. Affected: Corrections
 Title: "An Act giving notice of and approving a lease-
purchase agreement for construction and operations..." BRU: ALL
 Sponsor: House Finance Component: _____
 Requester: House Finance COMPONENT SERIAL NO. #0694

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES		0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	3,129.6					
TOTAL OPERATING	3,129.6	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	3,129.6					
----------------------	---------	--	--	--	--	--

CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other CIP	3,129.6					
TOTAL	3,129.6	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill would allow the DOC working through the DOA to secure the construction and operation of of a jail/prison facility. The bill specifies that the financing of the construction is to be financed by the private contractor and paid for through a lease purchase agreement.

The department would serve as the lead department through the completion of the project. DOC,DOA and DOT&PF would provide services as described in the fiscal notes submitted by each department. The sum of all fiscal notes, including DOC is shown as a capitol expenditure in this DOC fiscal note. Funds required by the other departments would be provided by RSA from the DOC.

RSA to DOA \$ 580.0
 RSA to DOT&PF \$ 1,060.0
 DOC costs \$ 1,489.6

Prepared by: Jerry Shriner
 Division: Office of the Commissioner
 Approved by Commissioner: [Signature]
 Agency: Department of Corrections

Phone: 465-4652
 Date: 2/19/96
 Date: 2/19/96

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSHB 4281

Revision Date: _____ Dept. Affected: Corrections
 Title: An Act giving notice of and approving a lease-purchase agreement for construction and operations..... BRU: ALL
 Sponsor: House Finance Component: _____
 Requester: House Finance COMPONENT SERIAL NO. #0694

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES	171.7	174.3	176.9	179.5	182.2	185.0
TRAVEL						
CONTRACTUAL	300.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	20.0	20.0	20.0	20.0	20.0	20.0
TOTAL OPERATING	491.7	194.3	196.9	199.5	202.2	205.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other CIP Rcpts	491.7	194.3	196.9	199.5	202.2	205.0
TOTAL	491.7	194.3	196.9	199.5	202.2	205.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME	3					
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This bill would allow the DOC to enter into a single combined lease/purchase and operational agreement with a private third party to provide up to 1000 jail/prison beds at a construction cost of not more than \$100,000,000. The bill is silent regarding the cost of operation. This fiscal note states those costs associated with planning and management. No costs of site procurement, construction or operation are included.

CONTINUED ON PAGE 2

Prepared by: Jerry Shriner
 Division: Office of the Commissioner
 Approved by Commissioner: Margaret M. Pugh
 Agency: Department of Corrections

Phone: 465-4652
 Date: 2/19/96
 Date: 2/19/96

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The DOC would secure consultant services to develop :

- 1/ a feasibility study determining the potential costs and benefits which would result from contracting facility operations,
- 2/ a feasibility study to determine the system wide impact of a large centralized facility in the third Judicial District;
- 3/ and a staffing and operational plan including operational standards.

\$300.0 has been requested for this purpose.

The DOC would be required to provide DOA sufficient information and consultation necessary to:

- 1/ finalize site selection,
- 2/ prepare an RFP for the construction of a facility of up to 1000 jail/prison beds in the Third Judicial District;
- 3/ and prepare an RFP seeking private providers to construct and operate the facility.

DOC will need to maintain constant project planning and oversight capability throughout the life of the project which is expected to take five or more years.

The duties of a **Criminal Justice Planner** (\$71.9) would change as the project progressed. At the outset this position would assist in preparing the RFP for consulting services and would assist throughout with governmental liaison, community relations related to site selection, construction and operation. Prisoner movement, programming, staffing and operational contractor start-up would be the responsibility of this position.

The **Facilities Manager I** (\$67.4) will serve as DOC's first line of oversight and project management site selection, facility design, and construction. The need for this position will extend through final acceptance of the facility.

The **Administrative Clerk I** (\$32.5) will be required throughout the project to prepare research, maintain files and records and generally provide necessary support to the **Criminal Justice Planner** and **Facilities Manager I**

For each position above the salary is shown as annual. It is included for the expected six year duration of the project and has been budgeted with a 1.5% increment each year after FY 97

\$20.0 annually is included to pay for office space, equipment, supplies, travel, etc.

**FISCAL NOTE
REPORTED OUT OF**

HFC

Revision Date: _____ Dept. Affected: Revenue
 Title: Lease Purchase Correctional Facility BRU: Revenue Operations
 Component: Treasury Management
 Sponsor: House Finance Committee
 Requestor: (H) JUD COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Forest Browne, Debt Manager Phone: 465-3750
 Division: Treasury Date: 1/25/96
 Approved by Commissioner: [Signature] Date: 1/25/96
 Agency: Department of Revenue

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COMMITTEE COPY

House Bill No. 428 approves a lease-purchase agreement for the financing, construction, and operation of a correctional facility.

Operating Budget

The legislation would have no impact on the Treasury Division's operating budget.

Debt Financing Issues

Our comments are based on several assumptions. First, the lease will be long-term. Second, the lease-purchase agreement terms will be in part based on the contractor borrowing up to \$100,000,000 for designing, constructing, and equipping the facility. And finally, the financing, construction, and operation of the facility will be bundled into a single contract.

If the assumptions are correct, several issues come to mind that may need to be considered.

- 1) This lease-purchase will be considered debt from a bond rating perspective and will be recorded as such in the State's financial statements.
- 2) The contractor may want to securitize the State's lease and offer this debt in the domestic or international financial markets in order to obtain the funds necessary for construction. This process raises several more questions.
- 3) Securitizing the lease over a period of time beyond the expected Project Yield Curve may have an affect on the State's current bond rating. We are working with our financial advisor to convince the market that the State is working on a plan to fill the fiscal gap and reduce our dependence on oil revenues.
- 4) Consideration should be given to an overall strategy dealing with Infrastructure and capital needs of the State. Agreements as outlined in HB No. 428 are only a portion of the total picture. This agreement will reduce the State's debt capacity as we offer our credit to a private contractor and at the same time give up the right to have any control over the debt issuing process.

Can a private contractor issue securitized state leases cheaper than the State? The answer is probably not. We can access tax exempt markets using our existing contracts with our own financial advisor and bond counsel and borrow money at very competitive rates.

Advantages of securing our own financing include the ability to refinance at any time favorable market conditions provide savings. Also, we eliminate the need to unbundle the lease-purchase from the construction and operating contracts should problems arise due to non-performance or default on the part of the contractor.

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSJB 428 (JUD)

Revision Date: _____
 Title: "An act relating to the Department of Corrections to contract for facilities for the confinement and care of"
 Sponsor: House Finance
 Requestor: Mulder

Department Affected: Administration
 BRU: General Services
 Component: Purchasing
 COMPONENT SERIAL NO. 60

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES		50.0	100.0	0.0	45.0	11.3
TRAVEL						
CONTRACTUAL		100.0	150.0			
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	150.0	250.0	0.0	45.0	11.3

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER * CIP receipts		150.0	250.0	0.0	45.0	11.3
TOTAL	0.0	150.0	250.0	0.0	45.0	11.3

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS:

FULL-TIME		1	1		
PART-TIME				1	1
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary.)

Costs are funded from CIP receipts from capital appropriation in FY 97 shown on Department of Corrections fiscal note

See Continuation Page

Prepared by: Dugan Petty, Director
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Mark Boyer
 Agency: Department of Administration

Date: 2/20/96

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FISCAL NOTE
STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSHB 428 (JUD)

ANALYSIS: (continued)

1. ASSUMPTIONS:

- 1.1. Dept. of Corrections will furnish requirements for the number of beds and location criteria.
- 1.2. Dept. of Corrections will establish operational criteria for the facility.
- 1.3. DOT&PF will develop a building space program, conceptual design and performance specifications suitable for use in the Request for Proposals.
- 1.4. DOT&PF will provide construction administration and inspection services from award to occupancy.
- 1.5. Lease payments will begin within 24 months of issuance of debt. Based on a debt payoff by the year 2013, \$100 million principal, and current coupon rates ranging from 3.8 to 5.4 percent (based on discussion with the Dept. of Revenue), the approximate annual payment is estimated to be \$10.3 million.

2. DEPARTMENT OF ADMINISTRATION RESPONSIBILITIES AND COSTS:

2.1. Facility criteria.

2.1.1. Prior to award - \$225,000 (FY 98 - 99).

Legal:	\$50,000
Financial:	\$25,000
Develop RFP:	\$50,000
1/2 Project Manager, R 21 for 24 mo.	\$100,000

2.2. Operations criteria.

2.2.1. Prior to award - \$125,000 (FY 98 - 99)

Legal:	\$25,000
RFP development & preparation:	\$50,000
1/2 Project Manager, R 21 for 24 months:	\$100,000

2.2.2. After award - 1 years startup effort (FY 01).

1/2 time Contracting Officer for contract administration	\$45,000
--	----------

2.3. Annual cost to administer the lease-purchase agreement, and the operation agreement after occupancy. Begin in FY 03

1/8 Contracting Officer for life of lease:	\$11,250
--	----------

See attached spreadsheet for allocation of costs by fiscal year and fund source

Allocate Fiscal Note HB 428

		GF Capital Funds					Total Capital Funds	Annual Operating Funds FY 03
		FY 97	FY 98	FY 99	FY 00	FY 01		
2.1	Construction criteria for the RFP							
	Legal:		25.0	25.0				50.0
	Financial:			25.0				25.0
	Develop RFP:		25.0	25.0				50.0
	1/2 Project Manager R21 for 24 months		50.0	50.0				100.0
2.2	Operational criteria for the RFP							
	2.21 <u>Prior to award</u>							
	Legal:			25.0				25.0
	RFP development & preparation:			50.0				50.0
	1/2 Project Manager, R 21 for 24 months:		50.0	50.0				100.0
	2.22 <u>After award</u>							
	1/2 Contracting Officer for 1 year startup effort:					45.0		45.0
2.3	Contract Administration							
	Annual cost to administer the lease-purchase agreement, and the operation agreement. Begin in FY 02							
	1/8 Contracting Officer for life of lease:						11.3	11.3
	Sub-total		150.0	250.0		45.0	11.3	456.3
								11.3

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HB428

Revision Date: 2/9/96 Dept. Affected: DOT&PF
 Title: *An Act giving notice of and approving a lease- BRU: Central Region
purchase agreement for construction and...of a correctional facility...* Component: Design and Construction
 Sponsor: House Finance
 Requester: House Judiciary COMPONENT SERIAL NO. #561

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	590.0	370.0	80.0	20.0		
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other	590.0	370.0	80.0	20.0		
TOTAL	590.0	370.0	80.0	20.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached documentation for additional details.

*will
NOT
Be adopted*

Prepared by: Roger Head/Loren Rasmussen, P.E. Acting Director Phone: 465-2960
 Division: Engineering and Operations Date: 2/9/96
 Approved by: Joseph L. Perkins, Commissioner Date: 2/9/96
 Agency: Department of Transportation and Public Facilities

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Attachment to
Department of Transportation & Public Facilities
Fiscal Note For House Bill 428

House Bill 428 is an act to provide for construction and operation of a new correctional facility. The Department of Administration would act on behalf of the Department of Corrections to enter into a lease-purchase agreement for construction and operation of a facility in the Third Judicial District.

The Department of Corrections is the lead agency responding to the bill and has determined that prior to requesting Department of Administration to solicit proposals, it will be necessary to complete a population study to determine the effect of the proposal on the remaining facilities in the State system. This will determine the type and program expected of the new facility.

DOT&PF is limited to assisting DOC in determining a site and preparing a conceptual plan based on the information developed from the population study. This work will take place prior to Department of Administration's solicitation for the lease-purchase contractor.

Cost Estimate:

Due to the size and complexity of this project, one project manager would be dedicated to the work for a period of 18 months. Advertising and proposal selection for consultant services would also be required. The consultant, in conjunction with the population study prepared for the Department of Corrections, would prepare a function/space program, a location study and site selection, and prepare a concept design. Consultant costs are based on a percentage of a typical design fee for a \$70,000,000 construction project. Design fee at 7% of the construction value would be \$4,900,000. Costs are estimated as follows:

Project Manager 18 months	\$ 105,000
Support Staff	20,000
Advertising and Award Costs	10,000
Consultant Costs:	
Function & Space Program (.03 x Design Fee)	125,000
Location Study/Site Selection	150,000
Conceptual Design (12 x Design Fee)	550,000
Design and Construction Allowance	<u>100,000</u>
Total Department of Transportation & Public Facilities cost	<u>\$1,060,000</u>

See additional spread sheet¹ for other costs projected by Department of Corrections

¹ Past experience has shown that an extensive amount of time and effort will be expended throughout the final design and construction phase of the project. An allowance has been included in the fiscal note even though the costs on the additional spread sheet do not include the final design and construction phases.

FAXMEMO

State of Alaska

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
PUBLIC FACILITIES BRANCH

This is an important communication of the Department of Transportation & Public Facilities. If you received this facsimile in error, please contact our business office at (907) 762-4275/762-4276 so we can correct it and avoid a recurrence in the future.

TO: Lorea Rasmussen

DATE: January 23, 1996

TELEPHONE NO: 762-4275

FAX: 762-4008

FROM: Roger D Head
Public Facilities Chief

SUBJECT: HB428 Fiscal Note

Attached is our preparation for a response to HB-28. The estimates were prepared concurrently with Department of Corrections yesterday. It was their understanding that OMB is looking for department responses today. Our direct contact person was Facility Planner, Ted Kinney. Please let us know if additional information is needed. By copy of this FAX, I am providing Mark Mayo with the same information.

Department of Transportation & Public Facilities Fiscal Note For House Bill 428

House Bill 428 is an act to provide for construction and operation of a new correctional facility. The Department of Administration would act on behalf of the Department of Corrections to enter into a lease-purchase agreement for construction and operation of a facility in the Third Judicial District.

The Department of Corrections is the lead agency responding to the bill and has determined that prior to requesting Department of Administration to solicit proposals, it will be necessary to complete a population study to determine the effect of the proposal on the remaining facilities in the State system. This will determine the type and program expected of the new facility.

DOT&PF's is limited to assisting DCC in determining a site and preparing a conceptual plan based on the information developed from the population study. This work will take place prior to Department of Administration's solicitation for the lease-purchase contractor.

Cost Estimate

Due to the size and complexity of this project, one project manager would be dedicated to the work for a period of 18 months. Advertising and proposal selection for consultant services would also be required. The consultant, in conjunction with the population study prepared for the Department of Corrections, would prepare a function/space program, a location study and site selection, and prepare a concept design. Consultant costs are based on a percentage of a typical design fee for a \$70,000,000 construction project. Design fee at 1% of the construction value would be \$4,900,000. Costs are estimated as follows:

Project Manager 18 months	\$105,000
Support Staff	\$ 20,000
Advertising and Award Costs	\$ 10,000

Consultant Costs

Function & Space Program (1% x Design Fee)	\$125,000
Location Study/Site Selection	\$150,000
Conceptual Design (1% x Design Fee)	\$550,000
Design and Construction Allowance	\$100,000
Total Department of Transportation & Public Facilities cost	\$875,000
	\$1,060,000

see additional spread sheet for other costs projected by Department of Corrections

5

11 Past experience has shown that an extensive amount of time and effort will be expended through^{out} the final design and construction phase of the project. An allowance has been included in the fiscal note even though the costs on the additional spread sheet do not include the final design and construction phases.

Sheet1

	Contracts	Staff	Support	Sum
DCC				
Staff Support				
- Criminal Justice Planner (21/A)		71.3	20.0(PER YEAR)	
- Facilities Manager I (20/A)		67.4	*	
- Admin Clerk I (7/A-3)		32.5	*	
Contract(s)				
- Prepare Population Mgt Plan	250.0			
- Prepare Operational Standards	50.0			
	DCC Subtotal	300.0	171.7	20.0
				491.7
DCA				
Staff Support				
- General Support		40.0	10.0	
Contracts				
- Legal Services	150.0			
	DCA Subtotal	150.0	40.0	10.0
				200.0
DOT&PF:				
Staff Support				
- Project Manager		125.0	10.0	
Architect-Engineer Consultant				
Prepare Function / Space Program	125.0			
Prepare Location Study / Select Site	150.0			
Prepare Conceptual Design	550.0			
	DOT&PF Subtotal	825.0	125.0	10.0
				960.0
Revenue:				
	Revenue Subtotal	0.0	0.0	0.0
				0.0
Attorney General				
	A/G Subtotal	0.0	0.0	0.0
				0.0
	Grand Total	1,275.0	336.7	40.0
				1,651.7

Sponsor Statement

CS for House Bill 428 (Jud)

by
The House Finance Committee

HB 428, by the House Finance Committee, allows the Commissioner of the Department of Corrections to pursue the use of private facilities for any prisoner as long as security at the facility is consistent with the classification of the prisoners housed at the facility. It provides that the department may enter into a lease purchase agreement with a private party to construct and operate a prison in the Third Judicial District. A group of employees from the Department of Corrections could be the private contractor if they bid competitively for the construction and operation of the facility.

Legislative Counsel advised us in an October 20, 1995 memorandum, "while the statutory basis for authorizing use of private facilities for state prisoners is **probably adequate, albeit barely**, the regulations cited -- particularly 22 AAC 05.300(e) -- impose real obstacles to extensive use of privately-contracted facilities, whether in state or outside." [emphasis added]

This bill makes clear the legal authority of the Department of Corrections to house any prisoners in private facilities. This will reduce the possibility of litigation to resolve what might be considered an open question by some people.

HB 428 also annuls 22 AAC 05.300(e) that may act to limit the Commissioner's ability to use private facilities for prisoners other than those in furlough status or in correctional restitution centers. This could be done by administrative action, but a statute will make legislative intent crystal clear.

The facility authorized by this legislation will

- include a maximum of 1000 beds
- be designed to allow expansion
- include housing for female prisoners
- not exceed construction costs of \$100,000,000
- be constructed under a project labor agreement
- be accredited if state facilities are accredited
- will have correctional officers with the same training as state correctional officers

We need additional prison capacity in Alaska. The Department of Corrections reports that it is regularly exceeding the maximum and emergency capacity under the Cleary Agreement by over 100 prisoners. It also has 206 prisoners in a contract facility in Arizona. This proposal will address those needs and at a lower cost to the state, both in the operating and capital budget. It will also bring almost \$6 million we spend outside back to Alaska, providing jobs for Alaskans and improving our economy.

The state has a need to improve its facilities for female prisoners. We have females housed in Lemon Creek, Fairbanks, Sixth Avenue, and Highland Mountain and are constantly over crowded at the Mat-Su Pretrial Facility. Only Highland Mountain was designed to house both males and females. The state needs to address this problem, and HB 428 does that by requiring that the new facility be designed to house women.

The House Finance Subcommittee on Corrections held interim hearings on the topic of privatization. It found that many states have entered into agreements with the private sector to construct and operate prisons. They have been successful in reducing the costs of incarceration and have maintained security for residents of the state.

Since February of 1995, Alaska has had 206 prisoners in a private facility in Arizona. We have had a positive experience. The facility has operated without any significant negative incidents. The savings have been significant. The daily cost at the Arizona facility is \$59.00 per day per inmate. Alaskan facilities average \$107.00 per day per inmate, not including the cost of construction or other capital appropriations.

The advantage of a private facility is significant. There is a strong possibility that the per day cost of a private facility in Alaska will be within \$10.00 of the cost of the Arizona facility. In other states where private prisons have been built, there has been a very positive effect on state facilities. The entry of competition has reduced the cost of many state operated prisons.

A new contractor can bring new ideas to our state. If it happens to end up a national chain, it will bring the experience it gains in many other states and many other facilities. If a national chain teams up with local contractors, we will get the benefit of designs that work in prisons and construction techniques that fit the Alaska environment. We are told that a private sector contractor can begin serving prisoners as soon as 18 months after contract award and securing property for the facility.

HB 428 responds to concerns raised by public employees at the interim hearings. It requires that the correctional officers in the private institution will be trained to the same standards as state correction officers. It also requires the private facility will be accredited by any standards required of state facilities. We believe that these two provisions will protect the integrity of the prison system while taking advantage of the lower costs and innovative management techniques.

HB 428 requires the construction contractor build the facility under a project labor agreement, to assure the maximum possible Alaska hire.

HB 428

- Addresses the prison capacity problem
- Creates construction jobs
- Creates on going prison jobs for Alaskans
- Brings Alaskan money back into Alaska's economy
- Provides an innovative opportunity to address Alaska's needs

ALASKA STATE LEGISLATURE

News

State Capitol
Juneau, AK 99801-1132
(907) 465-3804
Actuality line: 1-800-478-6540

House Finance Committee Introduces Prison Privatization Bills

For Immediate Release: January 17, 1996

Contact: Ken Freeman (907) 465-3804

JUNEAU -- Legislation to allow the construction and operation of a private prison in Alaska was introduced by the House Finance Committee Wednesday. The two bills facilitating this process are part of the Legislative Leadership's Renewed Commitment.

The first, HB 428, directs the Department of Corrections (DOC) to contract with a private party to construct and operate a prison in Southcentral Alaska, the Third Judicial District. The second, HB 429, gives DOC legal authority to house prisoners in private facilities.

"Our state facilities are full and regularly exceed maximum capacity. We have double bunked, used cots, and shipped 206 prisoners to Arizona. We need a facility to house female prisoners in an appropriate manner. These bills will address those problems at a lower cost than we could by constructing more state facilities," said Representative Eldon Mulder.

During the interim, the House Finance Subcommittee on Corrections, Chaired by Rep. Mulder, held hearings on the topic of privatization.

"The Committee found that there are many opportunities for the state to save on its cost of incarceration and provide the same level of protection to the public," said Mulder.

"Many other states are currently contracting with private vendors to provide prison service, including Texas, Oregon, as well as the Federal Government. Alaska has also had success with private contracting. We currently have 206 prisoners in a private prison in Arizona at a cost of \$59.00 per day, compared to the average cost of incarceration in Alaska of \$107.00 per day," said Representative Norm Rokeberg, who serves on the Subcommittee on Corrections.

Representative Gary Davis, who is also a member of the Subcommittee, noted public employees expressed concerns that correctional officer standards be maintained in every prison holding Alaskan prisoners.

"HB 428 requires correctional officers in a private prison to meet the State of Alaska training requirements. The proposed legislation also requires any private facility to maintain the same national accreditation standards required of state facilities," said Representative Davis.

HB 428 requires a project labor agreement for the construction of the new facility. Mulder noted this will help assure the maximum possible Alaska hire.

"Construction and operation of the new facility in Alaska will create new jobs for Alaskans," said Mulder.

Broadcast Note: An audio actuality is available from Rep. Eldon Mulder by calling 1-800-478-6540.

###

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
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Mail Stop 3101


130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 26, 1996

SUBJECT: CSHB 428(JUD), "O" version, relating to authority of the Department of Corrections to contract for operation of correctional facilities and to lease-purchase agreement for construction and operation of a new correctional facility -- sectional analysis (Work Order No. 9-LS1338\O)

TO: Representative Brian Porter, Chair
House Judiciary Committee
Attn: Tom Meyer

FROM: Jack Chenoweth 
Legislative Counsel

CSHB 428(JUD) combined HB 428 and HB 429. House Bill 428 was prepared and offered as uncodified law authorizing use of a lease-purchase agreement for the construction and operation of a new correctional facility, to be located in southcentral Alaska.

Current state law authorizes the commissioner of corrections to enter into an agreement with a third party for the latter to provide correctional facilities. House Bill 429 revises that authority and annuls an administrative regulation that limits the use of private third party correctional facility contractors.

Bill section 1: The bill section amends AS 33.30.031(a)

(1) to restate and expand the existing requirement that, when the commissioner proposes to enter into an agreement with a third party for the latter's provision of correctional facility services, the commissioner may do so only if the degree of custody, care, and discipline to be offered by the third party provider meets the standards required by state law, including those imposed by court order;

(2) to authorize use of contracted third party provider services without limitation by the nature of the prisoners' offenses--felony or misdemeanor--or by reference to prisoner custody classifications unless the security of the facility is inconsistent with prisoner custody classifications, and to prohibit an administrative determination that restricts or limits use of third party provider services under contract to rehabilitative or treatment purposes authorized by law.

Bill section 2: The bill section

(1) in its subsection (a), gives the notice and approval necessary for a lease-purchase agreement to initiate the project and sets out, in general terms, parameters applicable to the project's financing;

(2) in its subsection (b), sets out particulars applicable to other facets of the project including population housing perspectives, a requirement that the project be constructed under a project labor agreement, and a prohibition on direct state operation of the correctional facility with specific exceptions;

(3) in its subsection (c), describes the circumstances under which persons employed by the contractor as correctional officers may be required to meet the requirements of the Alaska Police Standards Council (AS 18.65) that are applicable to correctional officers employed by the state and its municipalities;

(4) in its subsection (d), describes the circumstances and limitations on the circumstances under which the state may require that the correctional facility gain accreditation; and

(5) in its subsection (e), declares that the measures section 1(a) "constitutes the notice and approval required by AS 36.30.085" for lease-purchase agreements that are entered into by the state.

Bill section 3: The bill section declares that the Act is not intended to preclude or prevent operation of the correctional facility by a private third-party contractor composed of persons employed by the Department of Corrections.

Bill section 4: The regulation proposed to be annulled, 22 AAC 05.300(c), limits the use of contract facilities to contract housing for confinement of prisoners convicted of misdemeanors. Since amendment of AS 33.30.031(a)(3)(B) made by bill section 1 would allow for use of contracted facilities for convicted felons, the regulation would be inconsistent with the relevant statute.

JBC:glc:pl
96-049.glc

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Juneau, Alaska 99801-2105

MEMORANDUM

October 20, 1995

SUBJECT: Private prisons (Work Order No. 9-LS1323VA)
TO: Representative Eldon Mulder
FROM: John B. Chenoweth
Legislative Counsel

This is by way of response to your inquiry concerning the use of privately-operated correctional facilities. The statutes and Department of Corrections' regulations usually refer to these as "contract facilities."

I

I am satisfied that the current set of statutes provides a minimally sufficient basis for Department of Corrections officials to house inmates in private contract facilities.¹⁷ The

¹⁷ Under AS 33.30.031,

(a) The commissioner shall determine the availability of state correctional facilities suitable for the detention and confinement of persons held under authority of state law or under agreement entered into under (e) of this section. **If the commissioner determines that suitable state correctional facilities are not available, the commissioner may enter into an agreement with a public or private agency to provide necessary facilities.** Correctional facilities provided through agreement with a public agency for the detention and confinement of persons held under authority of state law may be in this state or in another state. **Correctional facilities provided through agreement with a private agency must be located in this state unless the commissioner finds in writing that (1) there is no other reasonable alternative for detention in the state; and (2) the agreement is necessary because of health or security considerations involving a particular prisoner or class of prisoners, or because an emergency of prisoner overcrowding is imminent.** The commissioner may not enter into an agreement with an agency unable to provide a degree of custody, care, and discipline similar to that required by the laws of this state.

(continued...)

Representative Eldon Mulder
October 20, 1995
Page 2

specific limitations imposed on private contract facilities should have your review to ascertain whether the constraints are too demanding. So, for example, AS 33.30.031(a) favors use of in-state private contract facilities over those located outside Alaska. AS 33.30.031(c) requires that the services of a private contract facility provider be obtained by competitive bid. Other constraints are imposed by department regulation. Under 22 AAC 05.252(a), a prisoner will be transferred to a private contract facility outside Alaska if "a determination is made that the prisoner's rehabilitation or treatment would not be substantially impaired by the transfer," while, under 22 AAC 05.300(e),

[c]orrectional facilities provided through agreement with a private agency will be in this state, and will only be used to involve a prisoner in a program established under AS 33.30.091 - 33.30.131 or 33.30.151 - 33.30.181, or to confine a prisoner convicted of a misdemeanor.

My instincts tell me that, while the statutory basis for authorizing use of private facilities for state prisoners is probably adequate, albeit barely, the regulations cited--particularly 22 AAC 05.300(e)--impose real obstacles to extensive use of privately-contracted facilities, whether in state or outside.

II

To your second question, relating to encouraging use of private construction and operation of prisons:

I don't have any particular insight into this matter. I can share with you the benefit of some reading and research on the topic as related to contracts relating to state, as distinguished from county or local government, correctional facilities.

New Mexico was among the first of the states to call for construction and operation of a prison facility under contract. A 1985 law authorizes its corrections department to contract for the construction of a private facility to house that state's "special incarceration alternative program" and a separate provision authorizes the department to contract for the operation of a facility to house adult female inmates. Apparently in an effort to get its corrections department to move in the area of privately contracted construction and operation, in 1988, the New Mexico legislature appropriated one million dollars for expenditure "to contract for the operation of a two-hundred bed facility for housing female inmates" So, having given the department private facility contracting authority, New Mexico legislators used the

"(...continued)

(c) Notwithstanding AS 36.30.300, an agreement with a private agency to provide necessary facilities under (a) of this section must be based on competitive bids.

Representative Eldon Mulder

October 20, 1995

Page 3

appropriation process in an effort to secure operation of at least one facility by a private contractor.

The State of Tennessee adopted, in 1986, a comprehensive "Private Prison Contracting Act."

Subsequent amendment of the Act assured a substantial amount of legislative branch oversight of requests for proposals and contracts for contracted prisons. Looking only at the text of that Act, it appears that Tennessee legislators were prepared to work with persons in the state's executive branch who had responsibility or authority for private contract operation in the field of corrections, but wanted to try to assure at key stages that state responsibility was not, in effect, surrendered.

The experience of these two jurisdictions is useful. First, my sense is that, if you really want to shift some responsibility for corrections operations to the private sector, Alaska probably needs to consider and enact a comprehensive private prison contracting measure. The Tennessee Act may be a useful model, but the Alaska measure ought also to address a host of problems such as the degree of delegation, responsibility for programs, liability, employment security, dispute resolution, performance monitoring, sanctions, and the employees' working conditions, including, particularly, the right of employees of the contractor to strike. That measure needs to take into consideration, as well, the state's existing obligations under the Final Settlement Agreement and Order in the principal decision in this state relating to conditions of incarceration, Clear v. Smith.

New Mexico's use of an appropriation measure to "force" or require state action in the area of private contracting is also deserving of consideration. I would guess that, by withholding an appropriation to the Department of Corrections on a line-by-line basis for wages and benefits and other appropriations objects, and placing an amount in the contractual line with accompanying language indicating the intent to use the money for contracted purposes, you would send a sufficient message to the administration that the operation of a particular facility or facilities should be made the subject of a contract.

Finally, as to private construction of a prison facility, consider--as the last two administrations have done in other fields--the use of certificates of participation or similar form of lease financing arrangement, for which the legislature retains substantial approval authority under AS 36.30.085. As you no doubt know, in the quite recent past the initiative for lease financing arrangements has rested with the administration. But I can think of no reason why the legislature could not take advantage of the lease-financing provisions and use them to require the Department of Corrections to shift to private contractors for the construction and operation of new facilities, as the legislature may direct.

JBC:pl

95-170.plm

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MEMORANDUM

February 2, 1996

SUBJECT: Project labor agreement component of draft CSHB 428()
(Work Order No. 9-LS1338\R)

TO: Representative Brian Porter, Chair
House Judiciary Committee

FROM: Jack Chenoweth
Legislative Council

Our Thursday conversation touched on the project labor agreement language of sec. 2(b)(3) of CSHB 428. After that conversation, you provided me copies of two 1990 opinions of Assistant Attorney General Carolyn Jones. The opinions raised objections to proposed project labor agreement language by the Alaska Energy Authority. Ms. Jones' objections were based on (1) perceived inconsistencies with the state's Procurement Code, AS 36.30, and (2) objections of constitutional magnitude based on the decision in State v. Enserch Alaska Construction, Inc., 787 P.2d 624 (Alaska 1989), wherein the Alaska Supreme Court struck down the state's regional preference law (AS 36.10.160) as a violation of the equal protection clause of the Alaska Constitution.

The decision in Enserch relied on an earlier decision, Lynden Transport, Inc. v. State, 532 P.2d 700 (Alaska 1975). In Lynden Transport, the Alaska Supreme Court determined that discrimination between state residents and state nonresidents based solely on the object of assisting the one class over the other economically could not be upheld under the state equal protection clause. However, since Lynden Transport, the legislature and the voters have enacted article I, section 23 as part of the Alaska Constitution, permitting the giving of preferences to residents over non-residents. Adoption of article I, section 23 arguably undercuts the court's reliance on the state constitutional equal protection provision as the basis to invalidate a residence preference over non-residents. It does not invalidate or set aside the equal protection provision as the basis to invalidate a preference among state residents who are also residents of economically distressed zones, nor does it avoid application of the alternative federal constitutional provision, the federal privileges and immunities clause.

CSHB 428 is silent on resident/nonresident distinctions, though it does require the project labor agreement to include a provision that hiring for the correctional facility's construction is to proceed under a local union hiring hall requirement.

Representative Brian Porter

February 2, 1996

Page 2

As to project labor agreements, the leading decision apparently is Building and Construction Trades Council of the Metropolitan District v. Associated Builders and Contractors of Mass. R.L. Inc., -- U.S. --, 122 L.Ed.2d 565, 113 S.Ct. 1190 (1993). Because of the length of the caption, the decision is often called the "Boston Harbor" case. In that decision, the court approved the legality of a union-only pre-hire agreement for the Boston Harbor cleanup project against a pre-emption challenge that cited the National Labor Relations Act. The court determined that, when the state acts as the owner of a construction project, it is free to implement that kind of a pre-hire agreement entered into by the parties. The project labor agreement in CSHB 428 is differently structured. If it survives at all, it will surely survive only if the state can show that it is, as in the "Boston Harbor" decision, the owner of the construction project. Of course, as CSHB 428 is structured, the state is not the project owner at the outset; it becomes the owner at some future point. Whether that is enough to fulfill the "state-as-project-owner" rationale on which the "Boston Harbor" decision turned remains to be seen. So that a court does not lose sight of the eventuality of state ownership of the correctional facility to be constructed, I have so noted in the extended "project labor agreement" provision as redrafted.

JBC:klb

96-054.klb

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MEMORANDUM

January 22, 1996

SUBJECT: House Bill 428, lease-purchase agreement for construction and operation of a new correctional facility -- sectional analysis (Work Order No. 9-LS1338\K)

TO: Representative Eldon Mulder, Vice-Chair
House Finance Committee
ATTN: Dennis DeWitt

FROM: Jack Chenoweth
Legislative Counsel 

House Bill 428 is prepared and offered as uncodified law authorizing use of a lease-purchase agreement for the construction and operation of a new correctional facility, to be located in southcentral Alaska.

Bill section 1: The bill section

(1) in its subsection (a), gives the notice and approval necessary for a lease-purchase agreement to initiate the project and sets out, in general terms, parameters applicable to the project's financing;

(2) in its subsection (b), sets out particulars applicable to other facets of the project including population housing perspectives, a requirement that the project be constructed under a project labor agreement, and a prohibition on direct state operation of the correctional facility with specific exceptions;

(3) in its subsection (c), describes the circumstances under which persons employed by the contractor as correctional officers may be required to meet the requirements of the Alaska Police Standards Council (AS 18.65) that are applicable to correctional officers employed by the state and its municipalities;

(4) in its subsection (d), describes the circumstances and limitations on the circumstances under which the state may require that the correctional facility gain accreditation; and

Representative Eldon Mulder
January 22, 1996
Page 2

(5) in its subsection (e), declares that the measures section 1(a) "constitutes the notice and approval required by AS 36.30.085" for lease-purchase agreements that are entered into by the state.

Bill section 2: The bill section declares that the Act is not intended to preclude or prevent operation of the correctional facility by a private third-party contractor composed of persons employed by the Department of Corrections.

JBC:klb
96-017.klb

LEGAL SERVICES

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130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 22, 1996

SUBJECT: House Bill 429, relating to authority of the Department of Corrections to contract for operation of correctional facilities -- sectional analysis (Work Order No. 9-LS1337C)

TO: Representative Eldon Mulder, Vice-Chair
House Finance Committee
ATTN: Dennis DeWitt

FROM: Jack Chenoweth
Legislative Counsel

Current state law authorizes the commissioner of corrections to enter into an agreement with a third party for the latter to provide correctional facilities. House Bill 429 revises that authority and annuls an administrative regulation that limits the use of private third party correctional facility contractors.

Bill section 1: The bill section amends AS 33.30.031(a)

(1) to restate and expand the existing requirement that, when the commissioner proposes to enter into an agreement with a third party for the latter's provision of correctional facility services, the commissioner may do so only if the degree of custody, care, and discipline to be offered by the third party provider meets the standards required by state law, including those imposed by court order;

(2) to authorize use of contracted third party provider services without limitation by the nature of the prisoners' offenses--felony or misdemeanor--or by reference to prisoner custody classifications unless the security of the facility is inconsistent with prisoner custody classifications, and to prohibit an administrative determination that restricts or limits use of third party provider services under contract to rehabilitative or treatment purposes authorized by law.

Bill section 2: The regulation proposed to be annulled, 22 AAC 05.300(c), limits the use of contract facilities to contract housing for confinement of prisoners convicted of misdemeanors. Since amendment of AS 33.30.031(a)(3)(B) made by bill section 1 would allow for use of contracted facilities for convicted felons, the regulation would be inconsistent with the relevant statute.

JBC:klb
96-016.klb

Institution	FY 95 Ave Pop	% of Group	% of Total	Direct Cost	Direct Cost/Day	Indirect Cost (est)	Total Costs	Total Cost /Day
Anvil Mountain	88	3.35%	3.09%	\$3,924,162	\$122.17	\$876,631	\$4,800,793	\$149.46
Hiland Mtn								
Meadow Creek	293	11.15%	10.28%	\$7,331,807	\$68.56	\$2,918,783	\$10,250,590	\$95.85
Cook Inlet Cor Cntr	400	15.23%	14.04%	\$9,333,283	\$63.93	\$3,984,686	\$13,317,969	\$91.22
Fairbanks	198	7.54%	6.95%	\$7,058,424	\$97.67	\$1,972,420	\$9,030,844	\$124.96
Ketchikan	54	2.06%	1.89%	\$2,610,819	\$132.46	\$537,933	\$3,148,752	\$159.75
Lemon Creek	181	6.89%	6.35%	\$6,071,570	\$91.90	\$1,803,070	\$7,874,640	\$119.20
Mat-Su Cor. Cntr	84	3.20%	2.95%	\$2,743,871	\$89.49	\$836,784	\$3,580,655	\$116.79
Palmer Med								
Palmer Min	371	14.12%	13.02%	\$8,810,670	\$65.06	\$3,695,796	\$12,506,466	\$92.36
6th Avenue	116	4.42%	4.07%	\$3,829,857	\$90.45	\$1,155,559	\$4,985,416	\$117.75
Spring Creek	442	16.83%	15.51%	\$13,825,922	\$85.70	\$4,403,078	\$18,229,000	\$112.99
Wildwood C								
Wildwood Pre trial	281	10.70%	9.86%	\$7,860,467	\$76.64	\$2,799,242	\$10,659,709	\$103.93
Yukon-Kuskokwim	119	4.53%	4.18%	\$3,955,584	\$91.07	\$1,185,444	\$5,141,028	\$118.36
Sub Total	2627	100.00%	92.18%	\$77,356,436	\$80.68	\$26,169,426	\$103,525,862	\$107.97
Pt. Mackenzie	78		2.74%	\$1,623,431	\$57.02	\$777,014	\$2,400,445	\$84.31

Lemon Creek Example								
	Direct Appropriation	Direct Cost Per Day	Indirect Appropriation	Total	Average Inmate Population	Average Cost Per Day	Total Need at \$77/Per Day*	Savings
FY 95 actual	\$6,071,570	\$91.90	\$1,803,070	\$7,874,640	181	\$119.20	\$5,087,005	\$2,787,635
FY 97 Gov. Request	\$6,191,300	\$93.72	\$1,803,070	\$7,994,370	181	\$121.01	\$5,087,005	\$2,907,365
	Total Direct Cost	Direct Cost Per Day	Indirect Cost	Total Cost	Total Inmate Population	Average Cost Per Day	Total Need at \$105.63 Per Day	
FY 95 Actual	\$77,356,436	\$74.36	\$33,563,495	\$110,919,931	2850	\$106.63	\$109,881,608	\$1,038,324
Source: Gov. FY 97 Budget, Dept. of Corrections, By Legislative Finance Division and 11/20/95 letter to U.S. Marshal from Robert Cole, Dept. of Corrections						*Cost testified by Public Employees at Judiciary Hearing on 1/31/96		
Prepared by Office of Rep. Mulder Feb. 1, 1996								

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SLA 1993, § 12(a)
December 31, 1994
April 1, 1996.

Sec. 36.30.085. Lease-purchase agreements. (a) To perform its duties and statutory functions, the department, the Board of Regents of the University of Alaska, the legislative council, or the supreme court may enter into lease-purchase agreements. The department, the Board of Regents, the legislative council, or the supreme court may enter into a lease-purchase agreement only if the department, the Board of Regents, the legislative council, or the supreme court is the lessee under the agreement.

(b) When evaluating proposals to acquire or improve real property under a lease-purchase agreement, the department, the Board of Regents, the legislative council, or the supreme court shall consider

(1) in addition to lease costs, the life cycle costs, function, indoor environment, public convenience, planning, design, appearance, and location of the real property proposed for acquisition or improvement; and

(2) whether acquisition or improvement of the real property by lease-purchase agreement is likely to be the least costly means to provide the space.

(c) A lease-purchase agreement

(1) may not provide for a period of occupancy under the full term of the lease-purchase agreement that is greater than 40 years;

(2) must provide that lease payments made by the department, the Board of Regents, the legislative council, or the supreme court are subject to annual appropriation.

(d) If the department, Board of Regents, legislative council, or supreme court intends to enter into or renew a lease-purchase agreement for real property, the department, Board of Regents, legislative council, or supreme court shall provide notice to the legislature. The notice must include the

(1) anticipated total construction, acquisition, or other costs of the project;

(2) anticipated annual amount of the rental obligation; and

(3) total lease payments for the full term of the lease-purchase agreement.

(e) The department, the Board of Regents, the legislative council, or the supreme court may not enter into a lease-purchase agreement to acquire or improve real property unless the agreement has been approved by the legislature by law.

(f) The provisions of (d) and (e) of this section do not apply to a lease-purchase agreement

(1) related to the refinancing of an outstanding balance owing on an existing lease-purchase agreement; or

(2) by the University of Alaska if the lease-purchase agreement is secured by student fees or university receipts as defined in AS 14.40.491.

(g) In this section,

(1) "full term of the lease-purchase agreement" includes all renewal options that are defined within the lease-purchase agreement;

(2) "lease-purchase agreement" includes a lease-financing agreement. (§ 7 ch 75 SLA 1994; am §§ 2, 3 ch 36 SLA 1995)

Effect of amendments. — The 1995 amendment, effective May 25, 1995, inserted "or improve" in subsections (b) and (e) and "or improvement" in paragraphs (b)(1) and (b)(2).

Effective dates. — Section 13, ch. 75, SLA 1994 makes this section effective June 7, 1994, in accordance with AS 01.10.070(c).

Sec. 36.30.095. Procurement of paper. Except as otherwise required under AS 36.15.050 or AS 36.30.322 — 36.30.338, when a state agency purchases paper, at least 25 percent of the quantity purchased must be recycled paper unless the commissioner of the department in which the agency is located makes a written finding that recycled paper is not available for the purchase or that, after application of the procurement preference under AS 36.30.339, the recycled paper is more expensive than the nonrecycled paper. If the agency is not located in a department, the procurement officer for the agency shall make the written finding. If the agency is located in the Office of the Governor, the governor shall make the written finding. (§§ 1, 2 ch 175 SLA 1990)

Effect of amendments. — The 1990 amendment, effective July 1, 1994, substituted "25 percent" for "15 percent" in the first sentence.

Editor's notes. — Section 9, ch. 175, SLA 1990 provides that this section ap-

plies to procurements that begin on or after September 19, 1990. Section 10, ch. 175, SLA 1990 provides that the amendments to this section that are effective July 1, 1994, apply to procurements that begin on or after July 1, 1994.

Article 2. Competitive Sealed Bidding.

Section
130. Public notice of invitation to bid
150. Bid acceptance and bid evaluation

Section
170. Contract award after bids

Sec. 36.30.130. Public notice of invitation to bid. (a) [Effective until August 22, 1998.] The procurement officer shall give adequate public notice of the invitation to bid at least 21 days before the date for the opening of bids. If a determination is made in writing that a shorter notice period is necessary for a particular bid, the 21-day period may be shortened. The determination shall be made by the chief procurement officer for bids for supplies, services, or professional services. The determination shall be made by the commissioner of transportation and public facilities for bids for construction or acquisition of property for the state equipment fleet. Notice shall be published in the Alaska Administrative Journal. The time and manner of notice must

(4) United States Public Health Service, the Indian Health Service, or any affiliated group or agency if the prisoner is a Native American and is entitled to medical care from those agencies or groups; and

(5) parent or guardian of the prisoner if the prisoner is under the age of 18.

(b) The commissioner shall require prisoners who are without resources under (a) of this section to pay the costs of medical, psychological, and psychiatric care provided to them by the department. At a minimum, the prisoner shall be required to pay a portion of the costs based upon the prisoner's ability to pay. (§ 13 ch 70 SLA 1996)

Effective dates. — Section 13, ch. 70, SLA 1996, which enacted this section, took effect on September 3, 1996.

Sec. 33.30.030. Commissioner to adopt regulations. *[Repealed, § 12 ch 88 SLA 1986.]*

Sec. 33.30.031. Contracts for confinement and care of prisoners. (a) The commissioner shall determine the availability of state correctional facilities suitable for the detention and confinement of persons held under authority of state law or under agreement entered into under (e) of this section. If the commissioner determines that suitable state correctional facilities are not available, the commissioner may enter into an agreement with a public or private agency to provide necessary facilities. Correctional facilities provided through agreement with a public agency for the detention and confinement of persons held under authority of state law may be in this state or in another state. Correctional facilities provided through agreement with a private agency must be located in this state unless the commissioner finds in writing that (1) there is no other reasonable alternative for detention in the state; and (2) the agreement is necessary because of health or security considerations involving a particular prisoner or class of prisoners, or because an emergency of prisoner overcrowding is imminent. The commissioner may not enter into an agreement with an agency unable to provide a degree of custody, care, and discipline similar to that required by the laws of this state.

(b) *[Repealed, § 37 ch 2 FSSLA 1992.]*

(c) Notwithstanding AS 36.30.300, an agreement with a private agency to provide necessary facilities under (a) of this section must be based on competitive bids.

(d) A person employed outside the facility while confined in a privately operated correctional facility established under (a) of this section is subject to the provisions of AS 33.30.131.

(e) The commissioner may enter into an agreement with the United States, another state, a municipality of this state, or another state

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agency, to provide a correctional facility for the custody, care, and discipline of a person held under authority of the law of that jurisdiction. (§ 6 ch 88 SLA 1986; am § 49 ch 138 SLA 1986; am § 55 ch 14 SLA 1987; am § 14 ch 90 SLA 1991; am §§ 5, 37 ch 2 FSSLA 1992)

Cross references. — For interstate compacts concerning the confinement of inmates, see AS 33.36.

Effect of amendments. — The 1991 amendment, effective July 3, 1991, in subsection (e), deleted the former last two sentences.

The 1992 amendment, effective July 1,

1992, rewrote subsection (a) and repealed subsection (b).

Opinions of attorney general. — On September 4, 1986, the commissioner of corrections obtained authority to contract for the placement of prisoners found guilty but not mentally ill into privately operated treatment facilities. July 8, 1986 Op. Att'y Gen.

NOTES TO DECISIONS

Annotator's notes. — The Department of Corrections was created from the Division of Corrections of the Department of Health and Social Services by E.O. No. 55 (1984). Earlier cases refer to the executive administration then in effect.

Authority granted. — The legislature has authorized the commissioner of health and welfare to designate an appropriate facility for service of a sentence by an Alaskan prisoner whether or not such facility is in another state, territory, or possession of the United States. *Dwyer v. State*, 449 P.2d 282 (Alaska 1969), decided under former AS 33.30.060.

Alaska's legislature authorized the commissioner of health and welfare to enter into agreements with the proper United States authorities for the placement of Alaskan prisoners in federal facilities. *Dwyer v. State*, 449 P.2d 282 (Alaska 1969), decided under former AS 33.30.060.

Judicial precedent has supported the validity of contractual arrangements entered into under statutory provisions similar to those found in former AS 33.30.060 and former AS 33.30.100. *Dwyer v. State*, 449 P.2d 282 (Alaska 1969).

Incarceration in federal facility. — Defendant's incarceration upon a sentence for violation of Alaska's burglary statute in a federal facility located in the State of California is not unlawful. *Dwyer v. State*, 449 P.2d 282 (Alaska 1969), decided under former AS 33.30.060.

The Congress of the United States has authorized the Attorney General of the United States to contract with proper state officials for the care of state prisoners in federal facilities. *Dwyer v. State*, 449 P.2d 282 (Alaska 1969), decided under former AS 33.30.060.

Collateral references. — Liability of private operator of "halfway house" or group home housing convicted prisoners

before final release, for injury to third person caused by inmate. 9 ALR5th 969, § 4.

Sec. 33.30.035. Notice to sex offenders of registration requirement. The department shall provide written notice to a sex offender of the registration requirements of AS 12.63.010, and shall obtain a signed acknowledgement of receipt of notice from the sex offender

(1) at the time of the sex offender's release from a state correctional facility;

(2) immediately after taking supervision of a sex offender under the Interstate Corrections Compact or AS 33.36.110. (§ 8 ch 41 SLA 1994)

the appropriate security level of a correctional facility. The security level of a correctional facility will be maximum, medium, minimum, or multi-level, based on the security features and staffing ratio of the facility. (Eff. 11/3/84, Register 92; am 1/9/87, Register 101)

Authority: AS 33.30.011
AS 33.30.021
AS 44.28.030

Article 5. Programs

Section	Section
300. Contract facilities	331. Furlough or restitution center placement involving employment
305. (Repealed)	335. Violation of furlough conditions
310. Furlough for prisoners outside Alaska	340. Academic education
315. (Repealed)	345. Vocational and work opportunities
316. Furlough	350. Restitution centers
320. (Repealed)	352. Restitution center consideration
321. Prerelease furlough	355. Return from a restitution center or contract misdemeanor housing; discipline
325. (Repealed)	
326. Short-duration furlough	
330. (Repealed)	

22 AAC 05.300. CONTRACT FACILITIES. (a) The commissioner will, in his or her discretion, contract for residential correctional facilities and programs under AS 33.30.031 to supplement the resources of the department for the care, custody, and rehabilitation of prisoners meeting the eligibility criteria set out in this chapter.

(b) Community residential centers will, in the commissioner's discretion, be contracted for and used for the placement of prisoners on a prerelease furlough in accordance with 22 AAC 05.321.

(c) Contract misdemeanor housing will, in the commissioner's discretion, be contracted for and used for the confinement of prisoners convicted of a misdemeanor.

(d) Restitution centers will, in the commissioner's discretion, be contracted for and used for the placement of certain non-violent prisoners in accordance with 22 AAC 05.350.

(e) Correctional facilities provided through agreement with a public agency will, in the commissioner's discretion, be in this state or another state. Correctional facilities provided through agreement with a private agency will be in this state, and will only be used to involve a prisoner in a program established under AS 33.30.091 — 33.30.131 or AS 33.30.151 — 33.30.181, or to confine a prisoner convicted of a misdemeanor.

(f) Contract facilities must provide a degree of custody, care, and discipline for prisoners similar to that required by the laws of this state, consistent with the security and custody status of the prisoners who have been placed there under contract.

(g) A prisoner incarcerated in a contract facility in the state is subject to the provisions of 22 AAC 05.400 — 22 AAC 05.480 unless informed in writing of other disciplinary provisions approved by the commissioner as applicable to prisoners in contract facilities. (Eff. 1/9/87, Register 101)

Authority: AS 33.30.011 AS 33.30.031
AS 33.30.021 AS 44.28.030

22 AAC 05.305. INSTITUTION FROM WHICH A PRISONER IS FURLOUGHED. Repealed 1/9/87.

22 AAC 05.310. FURLOUGH FOR PRISONERS OUTSIDE ALASKA. Alaska prisoners incarcerated outside Alaska under contract with another jurisdiction may not participate in a furlough program unless approved by the commissioner. Before being considered by the commissioner, a prisoner requesting furlough must (1) first meet the eligibility criteria for a furlough established by the contract facility, (2) have served at least a third of the sentence and be within three years or less of release, and (3) be recommended for furlough by officials of the contract facility. (Eff. 9/10/77, Register 63; am 1/9/87, Register 101)

Authority: AS 33.30.011 AS 33.30.111
AS 33.30.021 AS 44.28.030
AS 33.30.031

22 AAC 05.315. REHABILITATION FURLOUGHS. Repealed 1/9/87.

22 AAC 05.316. FURLOUGH. A prisoner may be granted a prerelease or short-duration furlough for a purpose listed in AS 33.30.101(a), after consideration of the factors in AS 33.30.101(b) and after meeting the criteria set out in 22 AAC 05.321 or 22 AAC 05.326, as appropriate. (Eff. 1/9/87, Register 101)

Authority: AS 33.30.011 AS 33.30.111
AS 33.30.021 AS 33.30.131
AS 33.30.101 AS 44.28.030

22 AAC 05.320. WORK FURLOUGHS. Repealed 1/9/87.

22 AAC 05.321. PRERELEASE FURLOUGH. (a) A prerelease furlough is an authorized leave of absence from a correctional facility designed to facilitate the reintegration of a prisoner into society.

(b) The regional director may grant an eligible sentenced prisoner a prerelease furlough in accordance with (c) of this section. If a request for prerelease furlough is denied, the prisoner must be provided a

**Comparative Evaluation
of
Privately-managed CCA Prison
(South Central Correctional Center)
and
State-managed Prototypical Prisons
(Northeast Correctional Center, Northwest Correctional Center)**

Executive Summary

February 1, 1995

Executive Summary

This summary answers key questions about the Comparative Evaluation purpose, process and results. The question and answer format and numbers follow the major sections of the report. This summary provides the reader with an overview of the evaluation process, results and conclusions.

1. What is the Comparative Evaluation?

In 1991, because of the State's interest in improving the quality of prison operation and to learn, if possible, from the private sector, the State decided to enact legislation allowing a private company to operate one of its prototypical medium-security facilities. The objective was to compare public and private operation at basically the same type of physical plants. This legislation required a comparison of the performance and cost of the private operation to that of the State operation. This report is the performance comparison.

2. Why was a comparative evaluation conducted?

This evaluation was conducted and a report submitted in response to the requirements of TCA 41-24-105, which directs the Select Oversight Committee on Corrections to compare the quality of services provided by a private contractor to the quality of services provided by the State at prisons which are comparable in size, population, and physical plant. This statute also mandates that the Fiscal Review Committee conduct a comparison of the costs of the State and private operations at the three prototypical prisons. The law requires that contract renewal be based on the results of these two studies.

TCA 41-24-105 (d) The contract may be renewed only if the contractor is providing at least the same quality of services as the state at a lower cost, or if the contractor is providing services superior in quality to those provided by the state at essentially the same cost.

3. How was the comparative evaluation conducted?

As a means of satisfying the statutory requirement, the Select Oversight Committee on Corrections brought together leaders of the Department of Correction and executives of Corrections Corporation of America for the purpose of agreeing upon the method to be used for comparing the performance and quality of services provided by the three prisons. Department of Correction and CCA representatives met over five times with the Oversight Committee director and consultant as all parties joined together in developing a strategy to fairly compare all three prisons given the limited resources to undertake such a difficult task. A consensus was reached on the methodology as all parties agreed upon the measures or indicators to be used, the collection methods, the means of validation, the

value and weighting of indicators, and the process for conducting the evaluation. In October of 1992, the Oversight Committee adopted a resolution confirming the methodology endorsed by all parties.

- The first step in organizing the comparative evaluation was to identify the measures or indicators to be used. The object was to identify indicators that would reveal the most relevant information about the operational performance of the facilities being compared.
- The second step was to identify the source of those measures. Where would the data and information come from and how would it be collected.
- The third step was to define how the information would be validated or verified to be true and accurate.
- The fourth step was to define the value of each indicator or what the measure was worth.
- The fifth step was to define how the actual comparison would be made.

The specific indicators to determine the nature of inmates in each facility were:

Age
Race
Custody Level or Classification
Medical Classification
Education Level

Audit

An operational audit was conducted at each of the three facilities. This audit was very similar to the annual inspection process conducted by the TDOC Office of Compliance. The purpose was to conduct an inspection of programs and operations at the three facilities.

Security and Safety Index

The security and safety evaluation considered a wide variety of factors. Some of the factors considered included:

Disciplinary Reports
The Use Of Force
Assaults
Deaths
Injuries
Escapes

Program and Activity Index

The program and activity index measured inmate assignments, and activity or idleness.

Source

The source of the indicators and measures came from existing records, reporting procedures, and inspection processes. The primary sources were:

- 1 TDOC and CCA records
- 2 TDOC and CCA weekly, monthly, quarterly, and annual reports.
- 3 The Performance Audit Inspection
- 4 The Program and Activities Records and Jobs Audit

In addition to the records and reporting processes and the audits, the SOCC staff and consultant made site observations and conducted interviews with staff and inmates.

Validation

The primary process of validating or verifying the data and information routinely reported by TDOC and CCA was the Performance Compliance Audit and the Program and Activities and Jobs Audit.

Value or Weight

The value or numerical weight given to each indicator or measure previously discussed was agreed-to by TDOC and CCA as follows:

<u>Element</u>	<u>Value</u>
Nature of Inmates	0
Professional Standards	0
Audit	60
Security and Safety Index	25
Program and Activity Index	15
Survey	0

The nature of inmates, and the professional standards, were control measures. They were given no score. The performance audit consisted of nearly 200 elements. Each element was worth one point. The total performance audit was worth sixty (60) percent of the aggregate comparison score.

The security and safety index is worth twenty five (25) percent of the total comparison score. The program and activity index is worth fifteen (15) percent of the total score

Comparison

Describing what is a "comparable, superior, or poorer-than" quality of performance for correctional services is subjective. The risks associated with giving a numerical score to the quality of correctional performance is high. There are very few outcome measures that are either easily quantified or are very meaningful in judging quality of performance. There are many variables to consider when making a judgment about the quality of correctional services. This approach was designed to be as objective, fair, and comprehensive as was practical.

During the development of this design approach, it was clear the parties were concerned about a process that concludes with a numerical score. They were concerned about being given a score that may be misunderstood or misinterpreted. Since this project did not attempt to have scientific rigor, it would be misleading and imply a sense of false precision to rely on a numerical score. On the other hand, it was essential to give some weight and value to indicators and measures used. We have tried to avoid the limits of heavy reliance on a numerical score. The audit, security and safety, and program and activities measures were given a numerical score. They are supported by interpretations and explanations.

In each area where deficiencies are noted or comments are made by the SOCC staff or consultant, an opportunity was given to TDOC or CCA to present facts or evidence to clarify any misunderstandings and correct any misrepresentations.

LIMITATIONS

The methodology described above was sufficient to conduct the comparative evaluation. However, there are limitations and factors that were beyond the control of the State or the private contractor, and the evaluation methodology, that could affect the quality of the data described and the interpretation of that data.

It is important to point out those limitation factors, so they can be given consideration when reviewing or interpreting the data and findings in this comparative evaluation report.

- The first limiting factor was that each of the three institutions opened at different times. There was nearly a 1 1/2 year difference between the opening of Northeast and Northwest Correctional Centers. The methodology attempted to account for this starting time discrepancy by picking points in time that were consistent for data collection and evaluation. However, the fact remains that one institution had more than a year's experience over the other two institutions.

- There was an initial apparent lack of clarity regarding authority and responsibility, as it related to "care, custody, and control" by the private operator. This report was not an attempt to discuss or describe contractual language or responsibilities between the State and the private operator. However, the complexities in operational practices with regard to disciplinary authority and responsibility between the State and the private operator took several months to resolve. This critical period of opening and operating a new prison usually sets the tone for the operation, for a long time. This was not a quantifiable observation, but was based on the experience of opening prisons and jails and observing the impact of an organized transition and activation process, and the first year of operation of a new prison.
- The quality of data used in any evaluation is critical. The initial plan for the methodology was to use the State's Tennessee Offender Management Information System, (TOMIS) as the primary data source. The TOMIS system was being developed as the comparative evaluation data was being collected. This resulted in an inability to obtain certain data, a change in data reporting formats, and an agreement by the State and the private contractor to use certain data collection and verification efforts. It should be noted that the State, particularly the Department of Correction's Planning and Research Division, did an excellent job in controlling, managing, and reporting on the quality and quantity of data used throughout this comparative evaluation.
- The demands placed on the Office of Compliance, Tennessee Department of Correction, were not fully anticipated. The workload and tasks associated with contract monitoring, compliance monitoring, liaison and communication responsibilities were substantial. The TDOC Office of Compliance assumed these additional responsibilities and did an excellent job in coordinating and reporting compliance issues for the comparative evaluation process.
- The corrections system must be flexible and meet the demands of a constantly changing inmate population. A limiting factor in this comparative evaluation was some of the demand for change on the system. For example, during some of the evaluation period, the Northwest Correctional Center was partly used as a reception center because of system demands.
- A primary focus of the programs and activities associated with the correctional system was inmate jobs and work assignments. The industry component at each of the three facilities that was anticipated to supply substantial jobs, did not meet expectations.

In spite of these limitations and factors that could affect the quantity and quality of data, or the interpretation of the findings, it did not have a significant affect on the comparative evaluation approach. In fact, the State and the private contractor, particularly the wardens at the three institutions, used administrative prerogatives, creativity, and good judgment in mitigating many of the limitations.

4. What were the findings of the annual audits?

The following table represents the second annual inspection of each facility by the special comparative evaluation inspection team.

Second Inspection Element	NECC		SCCC		NWCC	
	Comp.	Non-C.	Comp.	Non-C.	Comp.	Non-C.
Administration	87.7	12.3	97.9	2.1	97.6	2.4
Safety & Conditions	95.6	4.4	88.1	11.9	94.5	5.5
Health Services	96.7	3.3	100.0	0.0	97.8	2.2
Mental Health	96.3	3.7	100.0	0.0	100.0	0.0
Treatment	95.9	4.1	99.35	.6	95.1	4.9
Security	99.5	.5	99.5	.5	98.4	1.6
AVERAGE (**)	95.28	4.72	97.48	2.52	97.23	2.77

** Does not include Correctional Enterprises

Compare Two Insp. Element	NECC		SCCC		NWCC	
	Comp.	Non-C.	Comp.	Non-C.	Comp.	Non-C.
First Inspection	90.67	9.35	84.53	15.47	90.08	9.92
Second Inspection	95.28	4.72	97.48	2.52	97.23	2.77
Percent Improvement	5.08		15.32		7.94	

For evaluation purposes, the second inspection score was counted in the overall rated comparison. After each audit the ratings were reviewed with the facility. It is interesting to note the substantial improvement for all three facilities between the first and second inspections. SCCC made the biggest improvement. It is also interesting to note the very high levels of compliance and the closeness of the scores. This is all the more impressive since it was done independently by a bi-partisan team from TDOC and CCA. Also, the scores are consistent with the ACA accreditation ratings.

ACA Accreditation Ratings

Facility	Date	Score
NECC	June 7-9, 1993	98.78
-SCCC	October 4-6, 1993	99.29
NWCC	June 6-8, 1994	98.88

5. What were the findings of the Security and Safety review?

A wide range of security and safety factors were reviewed. The review included reports on serious incidents for a fifteen-month period from July 1993 through September 1994, and a review of Disciplinary Classification reports and Dispositions for different periods in 1993 and 1994.

It is very difficult to say that one facility is more or less secure or safe than another facility. There are many variables that constitute safe and secure. Nearly everyone has an opinion. Our opinions were based on observations, data, and our best professional judgment. We started with some assumptions and we referred to data from TDOC and CCA reports for most of our comments

Our first assumption was that there was full compliance with security and safety practices, and that our observations and comments would describe deficiencies in security, or safety compliance, or practices. Our second assumption was that we would refer to serious incident and disciplinary reports, because they have been accepted by the parties, and are the parties' reports.

Statement of Qualifications

Before we discuss specific security and safety issues it is important to remind the reader of the need to qualify and condition the interpretation, use, and referencing of a single number or set of numbers, or narrow specific statements in this report. We recognize the wide and varied interests in the results of this evaluation. We have attempted to present information in text and tables that are clear and concise in form and style.

However, we are very conscious that information can be taken out of context and appear to be much more than it is. Or worse, what it is not. The reporting of events described as "serious incidents" in a prison report can have unintended consequences. We urge the reader to read the full report before reaching conclusions or quoting things out of context.

One measure of security and safety is the number and type of assaults that occur in a facility. During the fifteen-month period, NWCC had significantly more assaults than either NECC or SCCC. NWCC reported 165 assaults.

NECC reported 69 and SCCC reported 80. 62 of NWCC's assaults resulted in minor injuries to staff. Assaults reported for the three facilities include serious and minor assaults involving staff, inmates and visitors.

Disturbances, or the loss or threat of a loss of control is a measure of the security and safety of a facility. NWCC reported 7 temporary losses of control and NECC and SCCC each reported 2. A review of the 7 incidents at Northwest reflect the differences in reporting as the incidents were very minor, for example; a disruptive student in a classroom, a disruptive inmate in line to receive clothes, an inmate refusing to enter his cell and being escorted.

Escapes are an obvious measure of security for a prison. During the fifteen-month period, NECC had two, NWCC had one, and SCCC had no escapes from secure supervision. SCCC had 2 attempted escapes from secure supervision.

The number of injuries to staff and prisoners is a measure of the security and safety of a facility. During the fifteen-month period, SCCC reported significantly more injuries to prisoners and staff than either NECC or NWCC, with 214 injuries reported at SCCC, 21 and 51 at NECC and NWCC respectively.

The use of force is also reviewed when looking at the security and safety of a prison. The facilities have significantly different reported incidents of the use of force. SCCC had 30 reported incidents, NECC 4 and NWCC 6.

Both the injury and use of force data is as reported on TOMIS and does not necessarily reflect a higher incidence of injury or use of force at SCCC or NWCC. Rather, the data may be indicative of the focus of the facilities in reporting and the discretionary nature of the reporting requirements.

The use of a disciplinary system, and the writing of charges and disposition of those charges is a measure of the security and safety of a prison. There was not much difference in the issuing of disciplinary tickets among facilities. SCCC appears to write more minor infractions and NWCC appears to write more serious infractions.

The disposition of disciplinary charges is also a very good measure of the security and safety of a prison. It is an indication of how the facility manages its problems, and can be an indicator of facility safety. During the fifteen-month period, NECC reported 500 dispositions to verbal reprimand, while NWCC and SCCC reported seven and 13, respectively.

Each of the institutions met the security and safety requirements of two annual inspections and an ACA audit. Their respective scores were exceptionally high, in fact, almost identical. There were differences in certain indicators. However, in reviewing the entire period, in our

judgment, there was very little difference in the performance of security and safety among the three facilities.

6. What were the findings of the Program and Activities Review?

The following table summarizes the first and second years of operation at the three facilities regarding the percent of inmates inactive or idle due to job waiting.

This category depicts inmates who are eligible for a work or program assignment but remain idle and unassigned.

<u>Compare First and Second Years</u>	<u>Job Waiting Percent</u>		
	<u>NECC</u>	<u>SCCC</u>	<u>NWCC</u>
First Year	11	19	21
Second Year	4	11	12

The tables reflect the high rate of inmates in the "job waiting" category during the first year of operation. This is a critical time when inmates should be assigned to programs and work because the facility is setting its operational tone.

The tables also reflect the substantial improvement at each facility in reducing the amount of job waiting in the second year of operation.

The primary reason the job-waiting numbers and percents were so high was because the facilities had no industry program. The facilities were constructed but the program was not operational. SCCC and NWCC have had no real industry program during the evaluation period. NECC had a small industry program during the second year of operation.

The State recognized the prisoner "job waiting" and industry problem. In 1994 the SOCC initiated efforts that led to legislation creating a new prison industry board and a renewed focus to develop work opportunities and prisoner jobs.

7. What conclusions were reached from the comparative evaluation?

There were elements within each area that was reviewed where one facility received a higher rating than another facility. However, there were also elements within each area where one facility received a lower rating. In total, the facilities all rated very high and are nearly identical in their overall performance. The closest objective numerical rating to support this conclusion was the second annual inspection reports and the ACA audit.

We do not believe there was a significant security and safety performance difference among the three facilities during the rated evaluation period.

We do believe there was a significant "job-waiting" difference among the three facilities during the evaluation period. However, as TDOC and CCA agreed during the development of the methodology, adjustments could be made to the Program and Activity Index rating based on the jobs audit and verification of program and activity assignments. It is difficult to penalize SCCC and NWCC for not assigning inmates to an industry program that was not provided. On the other hand, the State was responsible for providing the industry program at all three facilities.

It was our judgment to rate all three facilities the same for the program and activity index.

Overall Rating

The overall Comparative Evaluation rating is depicted in the following table. It includes the second Annual Audit, worth 60 %, the Security and Safety Index, worth 25 %, and the Program and Activity and Jobs Index, worth 15 %.

<u>Evaluation Rating</u>	<u>NECC</u>	<u>SCCC</u>	<u>NWCC</u>
Audit (60 %)	57.17	58.49	58.34
Security and Safety Index (25 %)	25.00	25.00	25.00
Program and Activity Index (15 %)	15.00	15.00	15.00
	97.17	98.49	98.34

In reviewing the ratings we considered the range of difference of up to 3 % among the three facilities, as essentially comparable. Therefore, our conclusion was that all three facilities were operated at essentially the same level of performance.

8. What recommendations are being made?

The following recommendations were developed from information learned and opinions formed during the evaluation process. They are intended to guide State policy makers as they look for ways to improve the correctional system. They are intended to guide State policy makers in their decision making process, if the State decides to continue this contract or contracts for correctional services in the future. We recommend the following:

- Establish an independent contract monitoring and operational compliance capability for corrections contracts where a comparative evaluation will be conducted. The potential conflict and the complexities require a separate contract monitor.
- Review State restrictions and TDOC policy to provide maximum flexibility to allow corrections operational contractors to use their business and marketplace creativity; obviously, with appropriate legal safeguards.

- Allow the private contractor the authority and opportunity to privatize the industry program at SCCC. This could take several different forms. This should not preclude a contract with the TRAIL Board.
- Review the "start-up" needs and provide TDOC with adequate resources to service the operational demands of a new private prison contract. The need for transitioning into the new facility and the prison activation process require commitment of time and resources.
- Review the needs and establish clearer lines of authority, accountability, and communication, between the State and a private contractor. Set policy and establish more formal and documented procedure.



State of Washington
Legislative Budget Committee

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Department of Corrections Privatization Feasibility Study

This report is a working paper and is intended for discussion purposes only. Its contents are not necessarily endorsed by the Legislative Budget Committee and should not be interpreted as final committee recommendations.

January 1, 1996

*Upon request, this document is available in alternative formats
for persons with disabilities.*

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PART 1: BACKGROUND AND INTRODUCTION

The state operating budget for the 1995-97 Biennium provided funds for the legislature to review and identify state programs or services that may be competitively contracted to produce cost savings or improvements in the quality or level of services without harm to the public good. The Legislative Budget Committee (LBC) was asked to do the part of this review relating to adult correctional institutions, and to have a preliminary report completed by January 1, 1996.

Study Objectives

The LBC's study objectives were set out as follows.

- Work with the Attorney General (AG) to identify any potential legal constraints to implementing privatization, and, if applicable, any statutory changes needed to remove such constraints.
- Verify whether other states and jurisdictions have achieved cost savings through privatization without harm to the public good.
- If savings occur, identify the ways in which they are achieved (e.g., design/operational efficiencies, different levels of service, personnel compensation).
- Evaluate the feasibility and cost savings potential of privatizing Department of Corrections (DOC) institutions and facilities (e.g., specifically the new 1, 936 bed institution being planned).
- With the assistance of DOC and the Attorney General, evaluate best practices, and develop prototypes for Requests for Proposals (RFPs), contracts, and competitive procedures for privatization.

Study Results

By addressing the study objectives, this report provides information to assist the legislature in its deliberations on privatization. Although the report makes no recommendation on the policy issue of whether to privatize adult correctional facilities, there are numerous issues and obstacles related to privatization that are addressed in the technical appendices. These technical appendices (particularly those concerning legal issues, RFPs and contracts, and estimating annual ownership costs) are designed to be used as guidelines to be followed in the event that privatization is pursued. Similarly, the report

also contains five general guidelines that could be followed for minimizing the risk to the state, while promoting cost savings without sacrificing quality.

Acknowledgments

We appreciate the support given to this study by the Department of Corrections, the Office of the Attorney General, the Senate Ways and Means Committee, and the House Office of Program Research.

We are also indebted to the states and private companies that provided us information. In particular, the case studies and examples included in this study would not have been possible without extensive cooperation from the states of Louisiana, Tennessee and Florida, and from the Corrections Corporation of America and the Wackenhut Corporation.

This study was conducted by Bob Thomas, Kathy Gookin, Beth Keating and Valerie Whitener of the LBC staff, with technical assistance from the project consultants, Robert M. Williams and Richard Crane. Cheryle Broom was the project supervisor.

The legal analysis by the Office of the Attorney General was conducted by Richard Heath, Talis Abolins, Deborah Cade, Lee Johnson, Zachary Mosner, Mitch Sachs and Mike Lynch.

A panel that reviewed our consultant's work on RFPs and contracts consisted of: Linda Brownell (Senate Ways and Means); Karl Herzog (House Capital Budget Committee); Kristen Reiber (House Appropriations); Richard Heath and Talis Abolins (Office of the Attorney General); and Jim Blodgett, Bernie Warner, and Margaret Vonheeder (Department of Corrections).

PART 2: LEGAL THRESHOLDS

The LBC was asked to work with the Office of the Attorney General (AG) to identify any potential legal constraints to implementing privatization, and if applicable, any statutory changes needed to remove such constraints.

In addition to answering the basic questions posed, the AG provided further commentary on a number of legal issues to be considered in the event that the state would pursue privatization. The full text of the AG's analysis is included in Appendix 1. The three basic threshold questions are presented and answered below.

- Is there a constitutional prohibition against contracting prison operations?

No. There is, however, a doctrine that would prevent the state from delegating away its ultimate responsibility to foster and support our prisons. There are no court decisions specifying what is necessary to avoid an unconstitutional delegation of corrections responsibility.

In Washington, a court would likely use a two-part test to determine whether the state's delegation of power is constitutional. Under this test,

1. the legislature must provide standards or guidelines which define in general terms what is to be done and the instrumentality or administrative body which is to accomplish it; and
2. procedural safeguards must exist to control arbitrary administrative action and any administrative abuse of discretion.

The first requirement would likely be met by adequate statutory standards for private prison operations, and by the detailed requirements of the state's request for proposal and contract.

The second requirement would likely be met by the state's retention of ultimate decision-making responsibility in the areas of classification, discipline, sentence-calculation, and release decisions. Other states have strived to accomplish this in a number of ways. The more control that is retained, the less risk of unconstitutional delegation. Conversely, too much

- Need to retain certain responsibilities

state involvement in facility decision-making may interfere with efficiencies that the private contractor proposes to achieve.

- Are there existing statutory or case law constraints to contracting out prison work?

Yes. Contracting for services that have been traditionally and historically performed by classified DOC prison employees would likely be found to violate existing civil service law as interpreted by the courts. A possible exception in RCW 41.06.380 for certain contracts originally entered into before April 23, 1979, would not apply, as our review discloses no such DOC contracts relating to prisons.

- Legislative authority needed

Legislative authority would have to be provided in order to contract for the operation of a prison without using state civil service employees. In order to remove any such question as to the authority given, the authorization should be in the form of an explicit direction in the statute to contract out the work involved. Repeal of RCW 41.06.380 is not necessary, since it is not that statute that prohibits contracting out in general.

Whatever language might be chosen for authorizing DOC to contract out, the language should be carefully drafted to ensure that the intent to contract out is clear.

- Are there provisions in the relevant collective bargaining agreement against contracting out?

Yes. Under the current collective bargaining agreement DOC has agreed not to contract services when such action would have the effect of terminating classified employees or when the services to be contracted would be the same as those historically provided by classified employees.

- Current agreement expires in June

The effect of existing collective bargaining agreement provisions on the ability of the legislature to direct contracting out is unsettled. State unions have taken the position in court that the legislature may not retroactively change an agency's agreement not to contract out. They have based their position on a state Constitutional prohibition against impairment of contracts. However, even if a challenge to a contracting out statute were to be successful on this ground, it would only bar application of the statute

during the existing term of the contract agreement. Therefore, the constitutional issue could be avoided by stating in the statute that contracting out would not occur until expiration of the current term of the agreement. The current agreement expires on June 25, 1993.

- Issue of removing
DOC's discretion
in bargaining

The statute and rules as currently written require an agency to bargain personnel matters over which management can lawfully exercise discretion. Therefore, elimination of the contracting out language from the new collective bargaining agreement would not be certain if discretion to contract out is given to management by the authorizing statute. Instead, the statute should direct DOC to contract out. The union could not then argue that contracting out is negotiable.

PART 3: REVIEW OF COST STUDIES – PUBLIC VS. PRIVATE

One of the feasibility study questions was: *Have other states and jurisdictions achieved cost savings through privatization without harm to the public good?*

We approached answering this question by reviewing published sources and the experiences of other states that have experimented with the privatization of prisons.

REVIEW OF PUBLISHED SOURCES

We conducted a review of existing literature on privatization of prisons. Although there are numerous published sources that debate the pros and cons of privatization, there are only a few studies that have attempted to compare costs, and they have reached conflicting conclusions. We reviewed the methodologies and conclusions of these studies, recreating the analyses when possible. With the exception of some state-sponsored studies (more on these later) the studies we reviewed had significant limitations or methodological weaknesses. We did not find that we could use these studies to draw any general conclusions about the potential for cost savings through privatization.

- There are surprisingly few studies, and they are of limited value.

See Appendix 2 for more comments on the cost studies we reviewed.

We also reviewed two studies available concerning the quality of operations of public-versus-private facilities. Indicators of quality included such factors as safety issues, availability of programming, satisfaction with food, and job satisfaction of staff. In each case, the studies found no significant differences in quality between the particular publicly and privately operated prisons being compared.¹

¹ Charles H. Logan, *Well Kept: Comparing Quality of Confinement in a Public and a Private Prison*, National Institute of Justice, March 1, 1991; and Tennessee Select Oversight Committee on Corrections, *Comparative Evaluation of Privately-managed CCA Prison and State-managed Prototypical Prisons*, January 1995.

REVIEW OF PRIVATIZATION EXPERIENCES IN OTHER STATES - CHOICE OF CASE STUDIES

- Criteria for selecting states for case studies

Since one of our study questions involves the feasibility of privatizing a multi-custody prison in Washington, we sought case studies of privatization in other states that met the following criteria:

- The experience with privatization should involve a large, multi-custody facility.
- The state-run facilities to be compared to the privately run facilities should be of similar capacity, design and security levels.
- Preferably the comparable facilities would have been in operation for several years.
- The states having such facilities would be willing to provide all the information we would need in a timely manner so as to meet the deadline for this report.
- The private companies operating the prisons would be willing to provide information needed for this study.

- Choice of Louisiana and Tennessee

We were fortunate in obtaining the cooperation of two states -- Louisiana and Tennessee -- that have facilities that are particularly well-suited for apples-to-apples comparisons of costs.

- Both states allow for apples-to-apples comparisons

Louisiana has three large, prototypical, multi-custody facilities that are exactly the same design and capacity. One is operated by the state, and the two others are operated under contract by the Wackenhut Corporation (Wackenhut) and the Corrections Corporation of America (CCA), the two largest private operators of prisons. Louisiana's three facilities were all in full operation by the beginning of 1991. At present, the capacity at each of the facilities is 1,474 inmates.

Tennessee also has three large comparable facilities, two of which are state-run, and one of which is operated by CCA. The three facilities were in full operation by mid 1992. The current capacity at each of Tennessee's prototypical facilities is 1336 inmates.

- Benchmark studies in other states

We also reviewed cost studies from other states. The most important of these have been recent attempts to set cost benchmarks for targeted savings from privatization. The way this works is that states either estimate what the public costs would be of operating a particular new facility, or they identify their current costs of operating similar prisons within their system. Through a Request for Proposals (RFP), private companies are asked to respond with proposals that would result in a minimum cost-savings percentage (e.g., seven to ten percent), compared to the benchmark.

If the benchmarks are accurately and appropriately estimated, and the state receives responsive bids, then the compensation provided for in the contracts, compared to the benchmark, should indicate an amount of savings to be expected from privatization.

- Why this study does not report on the recent experiences of states using benchmarks

Two years ago the LBC gained experience in estimating the costs of prison operations. In its report on *Department of Corrections Capacity Planning and Implementation* (January 27, 1994), the LBC identified facility operating costs, by security level, in order to determine if some of the most inefficient prison facilities should be replaced. The findings from the report led to legislative approval of several capital projects intended to achieve operational savings.

Based on our experience, and knowing the care that must go into establishing benchmarks, we would be reluctant to accept projected savings based on benchmarks at face value. The time frame for the present study did not allow for the extent of review that would enable us to say whether recent benchmarking efforts in other states are likely to result in savings.

PART 4: RESULTS OF LOUISIANA AND TENNESSEE CASE STUDIES

This part of the feasibility study uses the case studies to answer two of the questions posed in the project scope and objectives:

1. Have other states and jurisdictions achieved cost savings through privatization without harm to the public good?
2. If savings have occurred, how have the private companies accomplished this?

In answer to the first question, we reviewed cost information and studies provided by the states and the private companies. For Tennessee, we reviewed and made adjustments to a cost comparison conducted by the state's Fiscal Review Committee for fiscal year 1993-1994. For Louisiana, we used state and company data for fiscal year 1995-1996. The results of our analysis were submitted to the states and the private companies for technical review and comment in November 1995. Details concerning the comparative costs and our methodology are included in Appendix 3. Summary comments about the results are included in this section.

The first question also contains a qualitative element related to the "public good." We endeavored to address this element by identifying any public safety differences between the public and private facilities (e.g., record of escapes and disturbances) and through examination of any other information that might suggest that there were substantive differences in prison operations and programs.

The second question concerns how private companies operate, and focuses on the issue of what the state might actually be purchasing in the event that it pursues privatization.

CASE STUDY COST COMPARISONS

- **Has Louisiana achieved cost savings through privatization?**

Until recently, yes. Based on information for 1995-96, the state can expect to break even on its two contracts when all facilities are operating at full capacity. The CCA prison is costing about 1 percent more than the state facility, and the Wackenhut prison is costing about 1 percent less. Historical data suggest, however, that both private facilities previously cost the state less than the state-run

prison on a per diem basis. For example, in fiscal year 1993-94, the two privately run facilities were costing the state approximately 4 percent less, even though they were housing fewer inmates.

- Why costs have converged

One explanation for the convergence of costs over time may be the effect of competition. This is an argument made by the private companies that was also mentioned by some state correctional officials. Lean budget years may also have made a difference. For some years the inflationary increases built into the private contracts has been greater than the increases in the corrections budget. So while the per diem costs for the private has inflated, it has not inflated for the public facility.

- Has Tennessee achieved cost savings through privatization?

The best answer is probably yes. During the study period (fiscal year 1993-94), the effective per diem for the private facility was less than the weighted average per diem for the two state-run facilities (\$33.63 versus \$34.29), but actually higher than one state facility and lower than another.

This information is somewhat misleading, however, because during the study period, in which additional capacity was being added at all three facilities, both state-run facilities had higher average daily populations (ADPs) than the private facility. Since the marginal cost to the state of placing inmates in its own facilities was less than the per diem for the private facility, this resulted in a lower effective per diem at the state facilities.

- Estimate of longer-term outlook

In order to understand how costs might compare over the long-term, when ADPs would more closely match, the state's Fiscal Review Committee estimated what the costs would be if the ADPs were equalized. Taking the same approach, but with the adjustments explained in Appendix 3, we estimate an average per diem for the state-run facilities of \$35.55 (fiscal year 1993-94) when ADPs are equalized. With the private per diem at \$33.63, this represents a potential savings of approximately 5.5 percent. This may be viewed as the expected savings that will be achieved when all the facilities are operating at full capacity.

- The effects of competition

Tennessee officials were of the opinion that competition from the private facility had the effect of keeping costs down at the public facilities. As evidence of this, we observed during our site visits that the private facility's estimate of additional staff needed for a proposed capacity expansion of 170 beds was less than half of the estimate made by one of the state-run facilities. We were told that this difference was causing closer scrutiny of the state prison's request than might otherwise have occurred.

CASE STUDY QUALITATIVE COMPARISONS

- Are the private prisons as safe and secure as the public prisons?

Yes, based on data at hand. We reviewed a year's worth of data from our study prisons regarding rates of escape, major disturbances, and inmate infractions. We also conducted site visits to observe prison environment and operations. A summary of our observations follows. (See Appendix 4 for more detailed information on both interstate and intrastate comparisons of inmate demographics and behavior).

- Escapes

There were no escapes at any of the Louisiana prisons. In Tennessee there was a total of three escapes from secure supervision in the two public prisons, and no escapes from the private prison. There was also a total of nine escapes from the two state run minimum security units, and only one escape from the privately run minimum security unit.

- Major disturbances

In Louisiana, each of the private prisons reported one major disturbance, while the public prison reported four. In Tennessee, one of the public prisons reported sixteen major disturbances, while the remaining public and private prisons each reported seven. Some of the difference in numbers may be due to reporting differences, as evidenced in the comparative evaluation completed in Tennessee in January, 1995. Although these numbers portray a large amount of major disturbances, none of the prisons experienced disturbances that required the use of outside assistance.

- Infractions

Inmate infractions are an important measure of safety and security, however, rates are dependent upon individual staff reports. In Louisiana, the Wackenhut prison issued .47 infractions per inmate, the CCA prison issued 1.3 per inmate, and the state prison issued 1.8 per inmate. In Tennessee, the infraction rates were more similar, with the private prison having issued slightly more infractions than the public prisons. During the study period of the Tennessee comparative evaluation, there were dramatically more injuries to staff and inmates reported at the privately run facility. However, the report indicated reporting differences, and weighted each of the Tennessee prisons the same in the areas of safety and security.

All of the prisons we visited were clean and appeared to be orderly.

- Do the private prisons offer the same quantity and quality of inmate programs as the public prisons?

Generally, yes. The private prisons in our study had similar inmate work requirements to the public prisons. Louisiana private and public prisons have a 100 percent inmate work program. In Tennessee, the private prison has an average of 84 percent of inmates either working or attending full time education programs.

- Rehabilitation

In Louisiana, 26 percent of the inmates at the state prison were enrolled in education programs, while only 20 and 16 percent were enrolled at each of the private prisons. Although the exact numbers were not provided, it was reported that programs are filled to capacity at each of the three prisons. Capacity and enrollment information was not available for other aspects of rehabilitation in Louisiana, but the emphasis in this state is clearly on work skill development and education in addition to a full-time work program.

In Tennessee, 23 percent of the inmates in the private prison participated in education programming, while 20 and 35 percent participated in education in the public prisons. A qualitative study conducted by Tennessee indicates similar programming availability and quality at each of the prisons.

- Limitation of comparisons

In order to make a complete comparison, further data would need to be gathered including the ratio of program completions to enrollments, length of programs and outcome indicators.

- Do the inmates from the private prisons have a higher or lower rate of recidivism than those from the public prisons?

This question cannot be answered within the context of this study. There have been no studies to address this question directly, or that measure recidivism from prison to prison. Although overall state recidivism rates appear in various publications, it is well known that most states define recidivism differently. For instance, the definition of recidivism may include re-arrest, technical violations or new convictions, or may only include actual returns to prison. States also measure recidivism over varying lengths of time, ranging from one year to five years.

- Problems with defining and measuring recidivism

The major links to recidivism appear to be in the areas of age and criminal history. Young offenders with an extensive arrest record for property crimes are more likely to re-offend than older, first-time offenders. A further problem with trying to assign a rate of recidivism to a particular prison is the fact that an inmate rarely spends his/her entire incarceration at only one prison. Given these problems, using available data about recidivism would not be valid.

EXAMPLES OF HOW THE COMPANIES HAVE REDUCED COSTS

In Louisiana and Tennessee, both states designed, built and own their prototypical facilities, and pay all debt service. Therefore, these states do not provide an opportunity to evaluate the savings potential of privatization on capital projects (see discussion of capital costs in Part 5, below).

- What areas of the operational budget are likely candidates for cost savings?

Personnel and supplies comprise approximately 85 to 90 percent of operating costs in the state-run facilities we evaluated. These are the two areas where opportunities for savings are substantial. Personnel (including contracted professional services)

accounts for about 70 percent of operating costs, while supplies account for 15 to 20 percent. The remaining areas of the budget, including such things as utilities and insurance, are not likely to vary significantly due to whether the state or a private company is operating a facility.

- Do the private companies save on supplies?

From all accounts, the private companies do save on supplies, but we do not have information that would permit us to estimate a percentage.

State and company officials in both states agreed that the private companies save money by not having to follow the state procurement rules. They can buy supplies when needed, at the most competitive price, and keep a smaller inventory.

This cost advantage to the private companies is offset by the fact that in both states the private facilities pay sales taxes that the state facilities are exempt from paying. Although this adds to the cost of the contracts, the states may still realize the benefit of the lower procurement costs because the sales taxes are returned to the states as revenues.

- Do the private companies save on personnel costs?

Yes. For the three private facilities included in our case studies, we estimate that the number of staff ranged from 88 to 97 percent of state facilities staffing, and that the average salaries for those personnel range from 69 to 93 percent of state salaries.²

- Example of magnitude of possible savings

The magnitude of the potential for savings in the area of personnel can be shown in the following example. If a private facility can operate with 90 percent of state staffing, and at 85 percent of average state salaries, this translates into a personnel savings of 24 percent. Since personnel costs comprise about 70 percent of all operating costs, this results in

² The lower end of the salary range was based on comparing the mid-points of the salary ranges for corrections officers at the Avoyelles (state-run) and Allen (Wackenhut) facilities in Louisiana. Corrections officers comprise more than two-thirds of all staff at both facilities. The use of the mid-point for the private facility is a conservative approach (i.e., does not over-estimate) insofar as the private facility has a higher turnover rate than the state-run facility.

a savings to the total budget of approximately 16 percent.

- Are the savings passed on to the states?

Some of the savings are passed on to the state to the extent that the contracted per diems for the private facilities are less than the states' per diems. The example above shows, however, that personnel can be a major source of profit for the private companies.

- How do the private facilities manage operations with fewer staff?

From our site visits and reviews of staffing patterns, two general explanations emerged.

1. There is a greater tendency for staff to have responsibilities in more than one area, and for management staff to have responsibilities in several areas.
2. More flexibility in the use of staff, including corrections officers, results in fewer staff (and/or less overtime) needed to cover mandatory posts.

- Do the private companies also save on employee benefits?

Not necessarily. In Louisiana the state spends less on benefits for current employees than either of the private companies, primarily because state government does not participate in the federal social security system. The state does have a retirement system, but its employer contribution to the retirement system is less, as a percentage, than what the private companies pay for social security contributions.³ Of the two private companies, CCA additionally makes a company stock contribution and has a stock purchase matching plan that can equal an employer contribution of up to 6 percent of salary per year.⁴ In Louisiana, Wackenhut makes no employer contribution to retirement, other than social security.

³ The amount that the state contributes that is needed to cover defined benefits for current employees is 5.357 percent, which compares to the social security employer contribution of 6.2 percent.

⁴ During the first year of employment, CCA contributes 2 percent of salary, and 1 percent thereafter. It will match employee contributions up to 4 percent of salary.

We did not receive full benefit information for the privately run facility in Tennessee. In the area of retirement, the state contributes more than the maximum of 6 percent paid by CCA. It would be difficult to say, however, which retirement plan ultimately provides the most financial benefits to its members.

PART 5: COST SAVINGS POTENTIAL OF PRIVATIZING CORRECTIONS INSTITUTIONS AND FACILITIES

Although the two case studies indicate that savings from privatization are possible, they do not provide good estimates of the range of potential savings in Washington for two reasons:

- The costs to the states to operate prisons in Louisiana and Tennessee are less than in Washington, even after adjusting for cost of living differences. This is true regardless of whether the prison is state-run or privately run.

When private companies indicate they could save Washington State large percentages in prison operating costs, it is likely they are referring, at least in part, to savings that would come from adopting an approach to operations more like one of these other states. Privatization would be one means of changing operations to realize savings, and might still have the potential for savings that are more directly related to privately run operations per se (e.g., through efficiencies in the procurement of supplies).

- Both states designed and built their prototype facilities, which means that the private companies were not in a position to achieve potential savings through lower development costs had they built the facilities, or through differences in design that might lower operating costs.

In order to provide decision-makers with more information about potential cost savings, we conducted operational cost comparisons between similar facilities in Washington, Louisiana, and Tennessee, and a capital cost comparison of facilities in Washington and Florida.

Florida offers a good example of a large, new, multi-custody facility that is designed, is being built, and will be operated, by a private company (Wackenhut).

INTERSTATE OPERATIONAL COST COMPARISON

- Difficulties in making comparisons

From state to state, budgeting practices are different enough to make interstate comparisons of prison costs difficult. For example, in Washington, prisoners' medical costs are included in DOC's budget, but are not allocated proportionately to all the facilities that utilize the medical services. In Louisiana, chronic and major medical service costs are borne by charity hospitals. From our discussions

with Louisiana officials, it apparently would not be possible to allocate these costs to the state prisons.

- Study approach focuses on areas that can be compared

The approach we took in making the interstate comparisons was to focus on those areas of facility operations for which we were able to collect cost data and make direct comparisons. For Washington and the two other states, the per diem amounts shown in Exhibit 1 (below) represent approximately 85 percent of direct facility per diem costs excluding debt service. Indirect costs, such as headquarters overhead and general government overhead, are not included in direct facility costs and therefore are not reflected in these numbers.

- Choice of Airway Heights as Washington's facility

For the Washington facility, we chose the Airway Heights Corrections Center in Spokane. Among the two newest multi-custody prisons in Washington (McNeil Island is the other one), Airway Heights has the most efficient housing unit design, and it is the prototype for the new 1,936 bed facility planned for Grays Harbor.

We used Airway's costs at a capacity of 1,424 beds, and made adjustments to the budgets of the Louisiana and Tennessee facilities to show their costs at 1,424 capacities. Adjustments to Airway's budget resulted from assuming that all 256 bed housing units were medium security, and that the minimum security facility was located within the institution's secure perimeter.

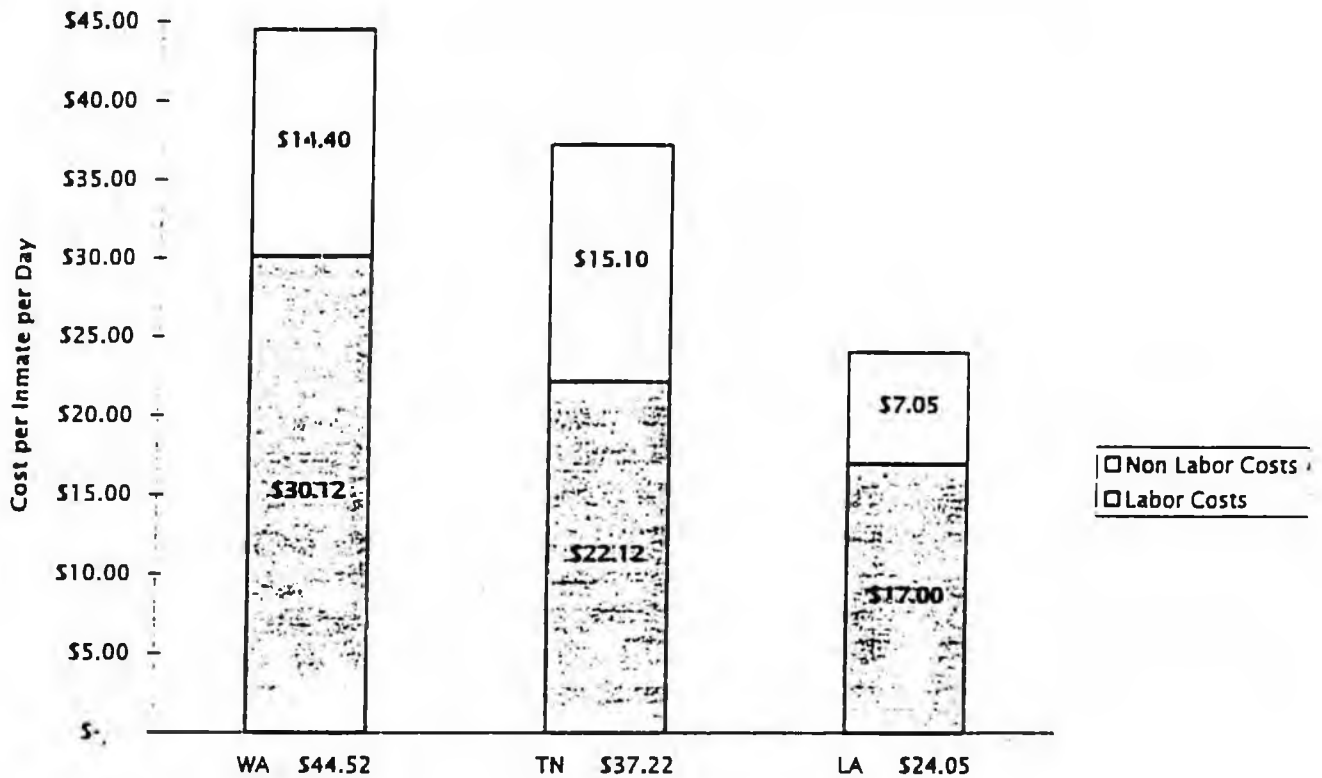
- Conservative approach in comparing per diems

In several instances when we had to make judgment calls about assumptions to use in making adjustments, we chose the assumptions that favored Washington. We did this in order to keep the estimates of cost differences conservative. Thus the spread between Washington's per diem costs and those of the other states may be somewhat understated.⁵

⁵ The major assumptions benefiting Washington were: (1) the inclusion of Seattle in our cost-of-living index increased differences in cost of living, because the cost of living in Seattle is significantly higher than the average for the rest of the state; (2) in adjusting capacities upward and downward to create budgets for 1424 bed facilities in Louisiana and Tennessee,

Exhibit 1

Comparable Per Diem Costs for a 1424 Bed Prison, FY1996 Dollars Adjusted for Cost of Living Differences



Source: LBC data, 1995

Excludes medical costs, overhead and debt service.

we used worst-case scenarios for cost impacts; and (3) we assumed that staffing at Airway Heights, that is beyond what is required for 1424 beds, would be absorbed with the 512 bed expansion (bringing the facility to 1936 beds), and therefore we did not assume that the current additional staffing would be permanent.

- What are the elements of Washington's higher labor costs?

In comparison to Louisiana's facility, the difference in Washington's cost is due to more FTEs, higher salaries, higher benefits, and employees with more longevity.

In comparison to Tennessee, the difference in Washington's cost is due mainly to higher salaries, higher benefits, and employees with more longevity.

- What are the differences in FTE totals?

The Washington facility has 389 FTEs compared to 343 for Louisiana and 387 for Tennessee. However, these are not perfect comparisons because some contracted personnel might not be counted as FTEs. One example where contracting skews the comparison is in the case of educational programs. Washington shows fewer staff for education (5 FTEs) than Tennessee (22 FTEs) because of the use of contractors.

- What areas of operations show major staffing differences?

Both Louisiana and Tennessee have more staff assigned to security than Washington. This is generally due to a more efficient housing unit design and security staffing plan at Airway Heights, and in the case of Louisiana, to the fact that Louisiana has more guard towers. Both Louisiana and Tennessee have more work assignments for inmates, which requires additional security posts.

Major areas where Washington has more staff are administration and maintenance (higher than both Louisiana and Tennessee), and Classification and Food Service (higher than Louisiana).

More details on cost differences, including the differences in non labor costs, are included in Appendix 5.

- Are the inmates in the three-state examples similar enough to allow for a fair comparison?

Yes. We looked at demographics, classification and behavior and did not find any documented differences that would effect costs of operations. In other words, if the types of inmates from either of the two comparison state facilities were housed at the Washington facility, no change in operations would be required. Likewise, the current operations at the

other states' facilities could accommodate Washington's inmates. See Appendix 4 for more information on both interstate and intrastate comparisons of inmate demographics and behavior.

INTERSTATE CAPITAL COST COMPARISON

- Difficulties in making comparisons

Capital cost comparisons from facility to facility and state to state are difficult to develop. Contributing to the difficulty are: unique site conditions; differences in climate and in labor and materials prices; lack of similarity of space programming and inmate mix; lack of uniformity in cost reporting; and differences in timing of capital expenditures. Nevertheless, it is possible to make general comparisons and identify elements contributing to major cost differences.

- Study approach focuses on areas that can be compared

The approach we took in making the interstate comparison was to focus on the major elements contributing to capital cost: Amounts and types of space, unit construction costs, and ancillary construction costs such as design and administration. In developing the comparisons, we eliminated those items unique to the specific project including land, site development, taxes, and unique local costs (e.g., Washington State allocations for art).

- Choice of Grays Harbor as Washington's facility

For the Washington facility, we chose the Grays Harbor Correctional Center in Aberdeen. Site infrastructure and development work for this 1,936 bed facility is underway, and facility design is in the preliminary schematic phase. Site development work can be viewed as a separate project which can be completed independent of the method for procuring the construction of prison facilities.

- Choice of South Bay, Florida facility to be constructed by Wackenhut Corporation.

For the privatized facility, we chose the 1,318 bed South Bay Correctional Facility in Florida. Currently under development, this project provides sufficient similarities in size and inmate mix to allow for broad-level comparisons (i.e., size, cost per bed, unit construction costs). It also offers a financing and ownership model familiar to the State of Washington (i.e., Certificates of Participation with ultimate ownership by the State).

Costs for each facility were adjusted for comparative purposes. As examples, land and site-related costs, taxes, and unique fees were excluded. For the Florida facility, costs were increased by 20 percent to reflect estimated regional labor and material costs differences, by 10 percent to reflect higher costs associated with later construction of the Grays Harbor Facility, and by another 5 percent to provide an allowance for state oversight of the privatized construction. Additionally, reductions were made to the projected cost and size of the Grays Harbor facility to make it comparable to the Florida facility (budget reductions of \$29 million or 20 percent, and space reductions of 154,000 gross square feet or 18 percent, to account for differences in inmate security levels and the fact that Florida space does not include Correctional Industries). More detailed descriptions of all the adjustments made in the comparison are included in Appendix 6.

- How do the adjusted costs of the facilities compare...

...and what explains the difference?

- Different operating concepts explain significant differences in space

Grays Harbor's projected cost per bed, at \$60,400 after adjustments, was approximately double the adjusted cost of \$29,000 for the private facility. The two major explanatory factors for this difference are that the cost per square foot for Grays Harbor is approximately 37 percent higher, and the square footage per inmate (or per bed) is 53 percent higher.

Differences in space are largely explained by different operating and programming concepts. As examples:

- Grays Harbor assumes single cells for close security and segregation, whereas the private facility double-bunks these cells.
- Grays Harbor minimum security beds have relatively high per bed space allocations reflecting the incorporation of service and program space in the housing space, whereas in the private facility program and service space are centralized.
- Other examples of differences are in administration, physical plant (including warehousing), and

dining areas (Florida feeds inmates in housing areas; Grays Harbor provides inmate dining spaces).

- Differences in unit costs

Unit construction costs, as adjusted, include actual construction costs as well as project management, design, permits and fees, and equipment. We did not evaluate the separate components of these costs. We did note that these unit cost differences were similar to total construction cost differences between state and privately developed office building projects reviewed in the LBC study of leasing versus ownership costs.⁶

- Did the approach taken by the state of Florida contribute to the relatively low cost of the private facility?

Most likely, yes. Florida identified key expectations for the facility but did not mandate specifically how the bidders should meet them. For instance, the state identified the mix of inmates to be housed, specifying the ratio of cells to dormitory beds. The state also required that proposers meet all applicable facility and programming standards (e.g., ACA accreditation, building codes, energy analysis), provide minimum program availability (e.g., education) and services (e.g., medical and dental). The State required specification of facility layout, a staffing and operating plan, building finishes and materials, and detailed equipment lists.

Wackenhut's operating and capital cost bid constituted 25 percent of overall scoring. Florida officials noted that Wackenhut had the highest cost proposal among bidders, but met the criterion for a combined capital and operating cost that was at least 7 percent below the calculated benchmark.

- Is the difference in cost between the Washington and Florida facilities explained by privatization?

Not entirely. The private firm's operating philosophy and plan, as reflected in the facility design, contributed to the lower costs. However, there is nothing prohibiting a state government from adopting a similar plan. Privatization is a means by which to implement a different concept that can result in lower costs, but it is not the only means.

⁶ LBC Performance Audit: *Capital Planning and Budgeting: Study of Leasing Versus Ownership Costs*, December 14, 1995.

The substantial difference in unit construction costs could be attributable to a private model that strongly focuses on controlling the total costs of ownership, operating and capital.

- **How important are capital costs in the total cost of owning and operating a prison?**

Our review of the Grays Harbor project indicates that capital costs, after the effects of financing, constitute approximately 18.5 percent of life-cycle costs. This does not include the costs of major repairs and replacements. A conservative estimate of these costs would raise the capital cost percentage to at least 20 percent.

An analysis conducted for the Department of Corrections calculated that the initial cost of the proposed Grays Harbor facility constituted approximately 12.7 percent of total costs. The 12.7 percent calculation underestimated the capital costs percentage because operating costs were overstated and miscalculated in the total cost model.

- **Should capital and operating costs be combined in considering the cost savings potential of privatization?**

For new facilities, yes. In the Florida example, bidders had to meet a 7 percent cost reduction target that was based on a calculation of what the state's total ownership costs would be. Theoretically, a private company might propose to build a facility that would have capital costs higher than the state's capital costs in order to achieve operational efficiencies through design innovations. These operational savings could outweigh the capital costs and result in overall savings.

For the Florida approach to work well, the full costs of state ownership on an annualized basis need to be accurately estimated and compared to bids that are estimated the same way. Appendix 7 contains an explanation and an example of an approach developed by the capital consultant for this study. It is the approach that we would suggest for Washington State in the event that the state would issue RFPs for design, construction and operation of a new prison.

GENERAL CONCLUSION

- **Would privatization of a prison or prisons result in cost savings to Washington?**

Not necessarily. Much would depend on the care that was taken in estimating the state's costs, and in designing an RFP, choosing a contractor, and executing and monitoring the contract.

Based on the foregoing analysis, it appears that the greatest potential for savings for Washington State would not come from privatization per se, but from changes in operations (and related facility planning) that can be accomplished through privatization or through changes in state policy and practices.

Savings that would be directly related to privatization could come from two sources:

- the ability of a private company to operate outside of state rules and procedures, collective bargaining agreements and the employee compensation system; and
- from competition between private and public facilities within the same prison system.

The ability of a private company to operate a prison differently from a public facility would depend on the degree of flexibility allowed to the private firm under the contract. Ultimately, even if a private facility can operate for less, the state would not necessarily capture any of these savings for itself unless it received responsive bids with per diem costs lower than its own.

PART 6: BEST PRACTICES FOR REQUESTS FOR PROPOSALS AND CONTRACTS

With assistance from the Department of Corrections and the Attorney General, the LBC was asked to evaluate best practices and to develop prototypes for Requests for Proposals (RFPs) and contracts for the privatization of prisons.

The LBC retained the services of a consultant who has extensive legal expertise in these areas. Since it is unknown what, if any, scenario the state might pursue in the area of prison privatization, we asked the consultant to provide comprehensive lists of elements to be addressed in RFPs and contracts. From these lists, the consultant identified the discretionary and essential elements, and offered commentary and analysis of the elements based on best practices, as appropriate.

It was our intent that the consultant's work would provide guidelines and a framework for developing specific RFPs and contracts. Based on the work that has already been completed, and given the legal and contractual expertise that currently exists within state government, we feel that most, if not all, of any additional work needed for actual RFPs and contracts could be accomplished by in-house resources.

We were assisted in this part of our study by a panel that reviewed and commented upon the consultant's draft report. The review panel consisted of staff from the LBC, the Department of Corrections, the AG, the Senate Ways and Means Committee and the House Office of Program Research. The consultant's final report is included in Appendix 8 (RFPs) and Appendix 9 (contracts).

PART 7: GENERAL GUIDELINES

Our case studies of Louisiana and Tennessee suggest that these states have had positive experiences both in terms of quality of service and cost. However, there are other examples that could be cited of how privatization of correctional facilities has been a failure. Recently, an inmate riot and takeover of a privately run detention center in New Jersey has caused some to conclude that privatization does not work.⁷ Our view is that other jurisdictions' experiences with privatization, either positive or negative, are not predictive of what Washington's experience would be. The outcome in this state would depend in large part on the care taken in designing an RFP, choosing a contractor, and in executing and monitoring the contract.

Although this report makes no recommendation on the policy issue of whether to privatize adult correctional facilities, there are numerous issues and obstacles related to privatization that are addressed in the technical appendices. These technical appendices (particularly those concerning legal issues, RFPs and contracts, and estimating annual ownership costs) are designed to be used as guidelines to be followed in the event that privatization is pursued. Similarly, there are five general guidelines that could be followed for minimizing the risk to the state, while promoting cost savings without sacrificing quality. They are:

1. Requests for proposals should set a minimum cost-saving target that must be met for proposals to be considered responsive. The amount of the target and the methodology for establishing it should be approved by the legislature.
2. Requests for proposals should set standards for programs, operations, and/or facility design and construction defined as *what* should be provided; and should allow respondents to be flexible and creative in *how* to meet those standards. The standards should be subject to approval by the legislature.
3. The state should develop a contingency plan for the smooth transition of operations from one private vendor to another, or to the state, in the event of contract expiration or termination.
4. The state should have an on-site monitor at the privately run facility to ensure that the state's responsibilities for inmates are being fulfilled, and that the contractor is in compliance with the contract.

⁷ This was the conclusion of the Washington Public Employees Association in letter dated July 12, 1995 entitled "Prison Privatization Doesn't Work -- The Riot at Esmor Correctional Services INS Center, Elizabeth, NJ, June 18, 1995."

5. The state should design and set criteria for an evaluation of the costs and quality of programs and operations at the privately run facility in comparison to a similar state facility or to established benchmarks. This evaluation should take place after the private facility has had at least one year of operating at full capacity, and should be conducted by an independent party designated by the legislature.

Private Adult Correctional Facility Census
Seventh Edition

prepared by

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Preface

Established in 1988 for the purpose of conducting policy-relevant research on correctional privatization, the Private Corrections Project at the University of Florida is now internationally recognized as the most authoritative source of information about this innovative means of providing correctional services. The core research goals of the Project require timely and accurate information about contract awards. Originally an informal by-product of meeting this requirement, today the semi-annual publication of the *Private Adult Correctional Facility Census* attracts more interest from the academic, corporate, financial, and political communities than does any other single Project-based initiative.

Those who are or who have been associated with the Private Corrections Project are gratified by so much interest being focused on the *Census* by so large and diverse a group of readers. At the same time, however, the fact that so many readers rely on the *Census* as the authoritative source of information about correctional privatization gives rise to a pressing need to guarantee that the information presented in the *Census* is both comprehensive and valid. It also establishes a responsibility to assure that readers fully understand both what the *Census* contains and what, in effect, it consciously ignores. Thus, in addition to reviewing the key findings of the 7th Edition of the *Census* and describing some significant expansions in the coverage this and future editions of the *Census* will provide, I will use this preface as an opportunity to review some definitional and methodological features of the *Census* that readers should carefully take into account.

The Census Format & Methodology

First, the *Census* contains information only about the privatization of secure adult correctional facilities. This intentionally narrow focus sometimes has caused previous editions of the *Census* to be misinterpreted by readers for whom "secure adult correctional facilities" is an unfamiliar concept. As used here the concept refers to detention and correctional facilities within which adult prisoners are, with the exception of some relatively isolated work

assignments they may have outside the security perimeter of facilities, confined on a twenty-four hour a day basis. Such prisoners may or may not have been convicted on criminal charges. For example, pre-trial detainees housed in local jails prior to their trials and prisoners housed in facilities being operated under contract with the Immigration and Naturalization Service and the U.S. Marshals Service have not been convicted.

Perhaps more importantly, this focus ignores both secure facilities for juvenile offenders and non-secure facilities for adults (e.g., community corrections centers, halfway houses, work-release centers, and restitution centers) that are operated by private firms. Contracting with the private sector for the management of non-secure correctional facilities was common long before the privatization of secure adult facilities began in the early 1980s. *Census* results, however, have never and do not now indicate the fraction of pre-trial detainees, adjudicated delinquents, and sentenced offenders who are housed in non-secure facilities for which private firms are responsible.

Second, the methodology and reporting format adopted for the *Census* must be fully appreciated. Regarding the methodological issue, data are collected on an international basis toward the end of December and June of each year. This is generally accomplished by my personally contacting one or more top executives of each private corrections management firm, questioning them about recent corporate developments, reviewing data regarding each secure facility their firm operates, and obtaining information from them about developments in other firms they believe would be of relevance to the *Census*. When I have any reservations about the completeness or accuracy of the information those senior executives have provided, I can and do contact facility-level administrators and/or government officials in an effort to assure that what is published in the *Census* is valid. Sometimes it is also possible to cross-validate the information provided by comparing it with various other sources (e.g., corporate press releases, media reports, analyses I receive from brokerage firm analysts, and documents a growing number of firms are obliged to file with the Securities and Exchange Commission).

Regarding the reporting of data, those who review the *Census* data with special care—a group that always includes but is certainly not limited to financial analysts—sometimes report what they perceive to be inconsistencies. Looked at in some ways, these readers are absolutely correct, but the core problem is that they are assuming a bit more by way of exhaustive data analysis than the *Census* is designed to provide. Specifically, each edition of the *Census* depicts where the private corrections management firms are regarding secure adult correctional facility contracts at a particular point in time and how that point in time differs from where they were at an earlier point in time. What the *Census* does not expressly address, however, is a narrow range of adjustments that can take and have taken place within the private corrections industry.

This potential problem is well-illustrated by the fate of Pricor, Inc., a firm that is no longer a component of the industry. At one time the *Census* reported that Pricor would assume management responsibility for six 500-bed minimum security facilities in Texas once their construction was completed. Later it became clear that only one of the six would receive prisoners. The *Census* was revised accordingly. Still later the State of Texas purchased all six facilities and made a policy decision that all six would be publicly rather than privately managed. The *Census* was again revised accordingly, but the *Census* did not overtly direct attention toward the diminishing fortunes of Pricor—although a careful comparison of Pricor's position in the private corrections industry across several editions of the *Census* certainly did document its demise.

The same problem has materialized in a less extreme form in other editions of the *Census*. Indeed, a careful comparison of the results reported here with those of the 6th Edition, for example, will reveal that Capital Correctional Resources no longer operates the parish-level facility it previously operated in Louisiana and that the GRW Corporation has both gained and lost one facility in Texas.

This ebb and flow of activity can be monitored by readers of the *Census*. The monitoring, however, requires a careful consideration of more than a single edition of the *Census*.

Changes in the Content of the Census

Turning now to adjustments in the scope of the coverage provided by the *Census*, readers will find four changes.

First, many readers have asked that more historical data be provided. The inclusion of what appears here as Figure 1 reflects an effort to respond to that request. Based on a combination of statistical information drawn from prior editions of the *Census* and comparable information published in the 1993 *Annual Report* of the Corrections Corporation of America, Figure 1 graphically depicts historical growth in the private corrections industry as measured by the total number of secure beds for which private firms were responsible.

Second, readers have encouraged more emphasis on adjustments that have been made or are about to be made in the rated capacity of existing facilities. This has been done by printing information on all new contract awards in bold-faced type and by printing information on existing facilities whose size changed by ten percent or more since the last *Census* in italics.

Third, several of the private management firms—Cornell Cox, Inc., the Corrections Corporation of America, Corrections Partners, Inc., Esmor Correctional Services, Inc., the GRW Corporation, and the Wackenhut Corrections Corporation—provide management services for types of correctional facilities that fall beyond the scope of the *Census*. This has resulted in some misinterpretations of *Census* results by, for example, government agencies and more than a few representatives of the financial industry. An effort to clarify the broader roles being played by these firms is provided by the narrative that appears in Appendix B.

Finally, a particularly troublesome problem for those working within as well as those observing developments in correctional privatization is linked to questions regarding the jurisdictions within which full-scale privatization of secure adult facilities is permitted by law. Framing complete and authoritative answers for such questions is exceedingly difficult. To be sure, sometimes the state of existing law can be determined in quite a matter-of-fact manner. In Florida, for instance, one statute expressly authorizes contracting

by the management of county-level facilities, one statute expressly authorizes contracting by the Florida Department of Corrections, and yet another statute expressly authorizes state-level contracting by the Florida Correctional Privatization Commission. All three statutes have been exercised. None of the three has ever been successfully challenged on constitutional or legal grounds.

Suffice it to say that life is not always so simple as it is in Florida. There are isolated jurisdictions that expressly prohibit contracting. There are jurisdictions that expressly authorize contracting by one level of government (e.g., the relevant state agency) but that do not expressly authorize contracting by other governmental entities (e.g., counties). There are jurisdictions where positive or negative assessments of existing legal authority are provided by attorney general opinions rather than by statutes. There are jurisdictions whose statutes are silent with regard to local- and/or state-level contracting. There are many jurisdictions that impose one or more limitations on contracting authority (e.g., limiting contract awards to prisoners with a particular security classification).

Even though a thorough understanding of this issue is of critical importance both to those who would like to make or receive contract awards, there is no authoritative source of up-to-date information on where the private management of one or more types of secure correctional facilities is lawful. Thus, the Private Corrections Project has initiated an on-going research initiative aimed at providing the necessary information. Much of the research was conducted by Mr. Kevin Mayeux, a graduate research assistant with the Project who is also a student at the College of Law of the University of Florida. Importantly, the findings summarized in Appendix C of the *Census* are preliminary. Comments from readers of the *Census* would be both welcomed and greatly appreciated.

Key Census Survey Findings

The first half of 1993 witnessed unprecedented changes within as well as rapid growth of the private corrections industry. No period in the brief history of correctional privatization comes even remotely close to matching what has transpired since the 6th Edition was published in January.

Regarding changes within the industry, at least five events are especially noteworthy. Several of them are likely to have multiple implications for the future of the correctional privatization industry.

- *In February Esmor Correctional Services, Inc. became a publicly-held company and began trading on the NASDAQ exchange under the symbol ESMR. The warm reception accorded Esmor's initial public offering (IPO) rather clearly demonstrates a perception on the part of individual and institutional investors that correctional privatization is becoming an increasingly attractive means of providing for the delivery of correctional services. The same perception clearly contributed to major upward movement in market evaluations of the common stock of the Corrections Corporation of America (CCA). (Prior to the Esmor IPO, CCA, which trades on the NASDAQ under the symbol CCAX, was the only publicly-traded private corrections management firm.)*
- *In March The Cornell Cox Group was transformed into Cornell Cox, Inc. and announced its acquisition of Eclectic Communications, Inc. (ECI). ECI, the oldest company in the private corrections industry, is now operating as a wholly-owned subsidiary of Cornell Cox, Inc.*
- *In May the Wackenhut Corrections Corporation (WCC), a wholly-owned subsidiary of The Wackenhut Corporation, filed an S-1 Registration Statement with the Securities and Exchange Commission. The S-1 filing is a prerequisite to the issuance of an IPO by WCC. Presupposing the success of the IPO, WCC, which should begin trading soon on the NASDAQ under the symbol WCCX, will become the third publicly-held private corrections management firm.*
- *In June the Corrections Corporation of America announced the formation of what it described as "an international strategic alliance" with Sodexho, S.A., a multi-national French firm that, among its many other business involvements, provides a broad array of contract services in five French prisons. The formation of this relationship between CCA and Sodexho is but one of multiple indicators of the growing interest in and attractiveness of correctional privatization on the international scene.*

- Also in June there were additional signs of a strengthening of the corporate ties between Correction Management Associates, Inc. (CMA) and Correctional Services Group, Inc. It continues to seem likely that the two companies will merge to form Correctional Partners, Inc. (CPI). In anticipation of that corporate development, this edition of the Census identifies facilities previously shown as being operated by CMA as being operated by CPI.

Regarding contract and contract-related developments that have taken place since the 6th Edition of the Census was published in January, the changes have been significant and the growth has exceeded what many perceived to be the aggressive projections I made in the preface to the 6th Edition. Key illustrations of those developments would certainly include the following items.

- Between 12/31/93 and 6/30/94 the number of secure private facilities rose by 15.07% to 84 and the rated capacity of all secure private facilities rose by 33.64% to 43,508.
- Between 12/31/93 and 6/30/94 the rated capacity of secure private facilities already in operation rose by 6.87% to 26,445 and the actual prisoner population in those facilities rose by 10.77% to 24,677.
- Between 12/31/93 and 6/30/94 the capacity utilization for secure private facilities already in operation rose by 3.64% to 93.31%.
- Between 12/31/93 and 6/30/94 planned expansions, which includes both the construction of new facilities and the expansion of existing facilities, moved upward more sharply than in any previous report. The number of new facilities projected to receive prisoners within the coming 12-18 months rose by 61.54% to 21. Industry-wide capacity increases attributable to both new construction and expansions of existing facilities leaped forward by 118.45% to 17,063 beds.
- The size and number of new contract awards in some jurisdictions are especially noteworthy. In particular, since 12/31/93 Texas has awarded contracts for 5 new state facilities that will have an aggregate rated capacity of 5,500 prisoners (contracts for three 1,000-bed facilities were awarded to the Wackenhut Corrections Corporation, a 1,500-bed contract was awarded to Management and Training Corporation, and

a 1,000-bed contract was awarded to Concept, Inc.).

- At least two jurisdictions that previously had awarded no contracts for the design, construction, and management of secure facilities began doing so rather aggressively. Since 12/31/94 Puerto Rico has awarded a 1,500-bed and a 1,000-bed contract to the Corrections Corporation of America. During the same time period, corporate sources report two 400-bed contract awards in Virginia to Corrections Partners, Inc.
- Florida, which for many years chose not to act on the expressed statutory authority to contract granted to it by the Florida Legislature in the mid-1980s, awarded contracts for two 750-bed state facilities. (One contract was awarded to the Corrections Corporation of America and one contract was awarded to the Wackenhut Corrections Corporation.) Significantly, both Florida contract awards were made by the Florida Correctional Privatization Commission, which was created by the Florida Legislature in 1993, rather than by the Florida Department of Corrections. It is altogether possible that this statutory means of brushing agency resistance to contracting aside will provide a model for legislation in other jurisdictions whose legislative bodies are confronting comparable public agency opposition.

Implications for the Future of Correctional Privatization

Six months ago I predicted that "the number of privately managed facilities will increase to between 85-90 by the end of the year" and that "the rated capacity of facilities under contract will increase to between 42,500-45,000." Several representatives of the financial community and more than a few of the private corrections management firms swiftly advanced the opinion that my forecast was too aggressive. I, of course, am so polite and diplomatic that I will refrain from putting too much emphasis on the fact that six months into the calendar year covered by my forecast already finds us with 84 privately managed facilities with a rated capacity of 43,508.

The more interesting questions shift the focus of attention from what already has happened to what

the balance of the year and beyond are likely to bring. Looked at on quite a general level, the only possible conclusion would appear to be that the alternative created by correctional privatization has moved well beyond the "interesting experiment" status it had in the mid-1980s to the proven option position it now enjoys. As I and others have documented in various published studies, the evidence unequivocally demonstrates that--presupposing it exercises reasonable judgment in the preparation of procurement documents, contract preparation, and contract monitoring--government can realistically anticipate operating cost savings in the range of 10-20 percent by contracting with the added benefit of an improvement in the caliber of services it receives.

This general conclusion is easily illustrated by a recent set of contract awards. In December of 1993, the Florida Correctional Privatization Commission issued a request for proposals providing for the private design, financing, construction, and management of two 750-bed medium security state prisons. The controlling statute mandated a cost savings of at least 7 percent below a benchmark price established by the Florida Auditor General. The benchmark price was determined by full-scale audit of costs for the construction and operation of substantially similar facilities constructed and operated by the Florida Department of Corrections.

Each private firm was allowed to submit proposals for one or both of the two facilities. Eight firms submitted a total of twelve proposals. All twelve proposals yielded cost savings of at least the required 7 percent. The contract awards to the Corrections Corporation of America and the Wackenhut Corrections Corporation will yield cost savings to Florida modestly above 10 percent. Further, language in both contracts is such that cost savings equal to or greater than those realized during the initial year of contract performance will persist for the three-year term of the base contracts. Further still, the contracts require prompt award of accreditation by the American Correctional Association, basic services that are at least the equivalent of those provided by the Florida Department of Corrections, and programs in the areas of education, vocational training, and substance abuse education/treatment that are more elaborate than

those presently provided by the Florida Department of Corrections.

Examples like that provided by Florida's recent experience has spawned a growing interest in correctional privatization both within and beyond the boundaries of the United States. Still, it would be unrealistic to expect that the torrid pace of new contract awards witnessed during the past six months will persist in an uninterrupted fashion indefinitely.

My best judgment is that the immediate future will bring more modest numbers of new contract awards coupled with sizable increases in the number of private facilities that are in operation. Those increases are essentially guaranteed by the number of new facilities that are presently under construction.

Importantly, this does not mean that the immediate future will yield no opportunities for significant growth. During the balance of 1994, for example, there are good reasons to anticipate significant contract awards in, on the international scene, Australia and Great Britain and in such American jurisdictions as Arizona, California, Colorado, Florida, Louisiana, Mississippi, Utah, and Virginia. Thus, were I asked to provide a more precise year-end forecast, I would have to estimate that the end of 1994 will reveal 90-95 private facilities with a rated prisoner capacity of 48,000-50,000 prisoners. Even if this upward adjustment of my December 31, 1993 projections proves to be too optimistic, there already is no question whatsoever about 1994 bringing a record increase in all statistical categories monitored by the *Private Adult Correctional Facility Census*.

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June 30, 1994

Private Adult Facility Census Summary for June 30, 1994

Management Firm	Rated Capacity of All Facilities Under Contract*	# Facilities Under Contract	Rated Capacity of Facilities Now In Operation	Prisoner Populations on 6/30/94	% Occupancy for Facilities in Operation	New Facilities to Open within 12-18 months	Expansion Anticipated Within 12-18 Months
Alternative Programs, Inc.	240	1	240	240	100.00%	0	0
The Hobby Ross Group	872	1	872	868	99.54%	0	0
Capital Correctional Resources	836	1	836	796	95.22%	0	0
Concept, Inc.	4,426	8	1,926	1,876	97.40%	3	2,500
Cornell Cox, Inc.	794	3	794	752	94.71%	0	0
Corrections Corporation of America	13,056	23	8,593	8,251	96.02%	4	4,463
Corrections Partners, Inc.	1,672	4	584	562	96.23%	2	1,088
Corrections Services, Inc.	32	1	32	29	90.63%	0	0
Dove Development Corporation	762	2	762	633	83.07%	0	0
Eden Detention Center	699	1	499	565	113.23%	0	200
Esmor Correctional Services, Inc.	1,170	4	870	845	97.13%	1	300
Group 4 - ICS	300	1	300	300	100.00%	0	0
The GRW Corporation	244	2	244	244	100.00%	0	0
Management & Training Corporation	2,400	3	450	425	94.44%	2	1,950
Mid-Tex Detention, Inc.	1,236	3	736	744	101.09%	1	500
North American Corrections	633	1	489	489	100.00%	0	144
U.S. Corrections Corporation	2,918	6	1,650	1,465	88.79%	2	1,268
The Villa at Greeley, Inc.	400	1	0	0	N/A	1	400
Wackenhut Corrections Corporation	10,818	18	6,568	5,593	85.16%	5	4,250
TOTALS	43,508	84	26,445	24,677	93.31%	21	17,063
% Changes Since 12/31/93	33.64%	15.07%	6.87%	10.77%	3.64%	61.54%	118.48%

*Capacity Figures Include New Facilities and Expansions of Existing Facilities.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Alternative Programs, Inc.	<i>Bobby Ross Group</i>	<i>Capital Correctional Resources, Inc.</i>	Concept, Inc.	Concept, Inc.
Facility Location	Bakersfield, CA	<i>Newton Co., TX</i>	<i>Groesbeck, TX</i>	Tuscaloosa, AL	Floy, AZ
Facility Name	Mesa Verde Community Correction Facility	<i>Newton County Detention Facility</i>	<i>Limestone County Detention Facility</i>	Tuscaloosa Metro Detention Facility	FBIOP/INS Detention Center
Primary Source of Prisoners	*State of California	<i>*State of Texas</i>	<i>*State of Texas</i>	Tuscaloosa County	Federal Bureau of Prisons
Secondary Source of Prisoners	N/A	<i>N/A</i>	<i>N/A</i>	City of Tuscaloosa City of Northport	Immigration and Naturalization Service
Rated Capacity	240	<i>872</i>	<i>836</i>	176	1,000
Present Population	240	<i>868</i>	<i>796</i>	176	N/A
Occupancy Percentage	100.00%	<i>99.54%</i>	<i>95.22%</i>	100.00%	N/A
Security Level	minimum	<i>minimum/medium</i>	<i>minimum/medium</i>	minimum	medium
Ownership of Facility	private	<i>public</i>	<i>public</i>	public	public
First Received Prisoners	May-89	<i>Jun-93</i>	<i>Apr-93</i>	Dec-92	Jul-94
ACA Accreditation?	no	<i>no</i>	<i>no</i>	no	will be sought
Facility Construction	new construction	<i>take-over</i>	<i>new construction</i>	new construction	new construction
Facility Expansion Planned?	no	<i>no</i>	<i>no</i>	no	no
* Notes	*Parole Division	<i>*TDCJ Institutional Division See Appendix A, Notes 1 & 2</i>	<i>*TDCJ Institutional Division See Appendix A, Notes 1 & 3</i>	<i>See Appendix A, Note 4</i>	

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Concept, Inc.	Concept, Inc.	<i>Concept, Inc.</i>	Concept, Inc.	Concept, Inc.
Facility Location	Bridgeport, TX	Brownfield, TX	<i>Mineral Wells, TX</i>	Overton, TX	Sweetwater, TX
Facility Name	Bridgeport Pre-Parole Transfer Facility	Brownfield Intermediate Sanction Facility	<i>Mineral Wells Pre-Parole Transfer Facility</i>	TBA	Sweetwater Pre-Parole Transfer Facility
Primary Source of Prisoners	*State of Texas	*State of Texas	*State of Texas	*State of Texas	*State of Texas
Secondary Source of Prisoners	N/A	N/A	<i>N/A</i>	N/A	N/A
Rated Capacity	200	200	<i>1,100</i>	500	250
Present Population	200	200	<i>1,050</i>	N/A	250
Occupancy Percentage	100.00%	100.00%	<i>95.45%</i>	N/A	100.00%
Security Level	minimum	minimum/medium	<i>minimum</i>	minimum	minimum
Ownership of Facility	private	public	<i>private</i>	public	public
First Received Prisoners	Nov-87	Jul-92	<i>Jul-89</i>	Feb-95	Mar-92
ACA Accreditation?	no	no	<i>no</i>	will be sought	no
Facility Construction	renovation	new construction	<i>renovation</i>	new construction	take-over
Facility Expansion Planned?	no	no	<i>no</i>	no	no
* Notes	*TDCJ Board of Pardons & Paroles	*TDCJ Board of Pardons & Paroles	<i>*TDCJ Board of Pardons & Paroles See Appendix A, Note 5</i>	*TDCJ Institutional Division	*TDCJ Board of Pardons & Paroles See Appendix A, Note 6

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Concept, Inc.	Cornell Cox, Inc.	Cornell Cox, Inc.	Cornell Cox, Inc.	Corrections Corporation of America
Facility Location	Willamson County, TX	Baker, CA	Live Oak, CA	Central Falls, RI	Florence, AZ
Facility Name	TBA	Baker Community Correction Facility	Leo Chesney Community Correction Facility	Central Falls Detention Facility	Pinal County Detention Facility
Primary Source of Prisoners	*State of Texas	*State of California	*State of California	U.S. Marshals Service	U.S. Marshals Service
Secondary Source of Prisoners	N/A	N/A	N/A	*State of North Carolina	N/A
Rated Capacity	1,000	272	220	302	500
Present Population	N/A	262	200	290	N/A
Occupancy Percentage		96.32%	90.91%	96.03%	N/A
Security Level	minimum	minimum/medium	minimum/medium	maximum	medium
Ownership of Facility	public	private	private	public	private
First Received Prisoners	Feb-95	Jan-88	May-89	Oct-93	Nov-95
ACA Accreditation?	will be sought	yes - 8/90	yes - 1/91	will be sought	will be sought
Facility Construction	new construction	renovation	new construction	new construction	new construction
Facility Expansion Planned?	no	no	no	no	no
* Notes	*TDCJ Institutional Division See Appendix A, Note 7	*Parole Division See Appendix A, Note 8	*Parole Division See Appendix A, Note 8	*North Carolina Department of Corrections	

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America
Facility Location	Panama City, Fl.	Panama City, Fl.	Bay County, FL	Brooksville, Fl.	Winnfield, LA
Facility Name	Bay County Jail Annex	Bay County Jail	TBA	Hernando County Jail	Winn Parish Correction Center
Primary Source of Prisoners	Bay County	Bay County	*State of Florida	Hernando County	*State of Louisiana
Secondary Source of Prisoners	U.S. Marshals Service & INS	U.S. Marshals Service	N/A	U.S. Marshals Service	N/A
Rated Capacity	257	276	750	252	1,282
Present Population	237	255	N/A	260	1,274
Occupancy Percentage	92.22%	92.39%	N/A	103.17%	99.38%
Security Level	all levels	all levels	medium	all levels	medium
Ownership of Facility	private	public	public	public	public
First Received Prisoners	May-86	Oct-85	Sep-95	Oct-88	Mar-90
ACA Accreditation?	yes - 8/88	yes - 8/88	will be sought	yes - 8/91	yes - 5/91
Facility Construction	new construction	take-over	new construction	take-over	new construction
Facility Expansion Planned?	yes, 48 beds	no	no	yes, 50 beds	no
* Notes			*Florida Correctional Privatization Commission		*Louisiana Department of Corrections

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America
Facility Location	Leavenworth, KS	Estancia, NM	Grants, NM	Santa Fe, NM	Guayama, Puerto Rico
Facility Name	Leavenworth Detention Center	Torrance County Detention Facility	NM Women's Correction Facility	Santa Fe Detention Center	TBA
Primary Source of Prisoners	U.S. Marshals Service	U.S. Marshals Service	*State of New Mexico	Santa Fe County/ U.S. Marshals Service	*Commonwealth of Puerto Rico
Secondary Source of Prisoners	N/A	Federal Bureau of Prisons	N/A	City of Santa Fe City of Moriarty	N/A
Rated Capacity	256	256	204	201	1,000
Present Population	186	204	214	233	N/A
Occupancy Percentage	72.66%	79.69%	104.90%	115.92%	N/A
Security Level	maximum	minimum/medium	all levels	all levels	medium
Ownership of Facility	private	private	public	public	public
First Received Prisoners	Jun-92	Dec-90	Aug-89	Aug-86	Jan-96
ACA Accreditation?	yes - 8/93	no	yes - 5/91	yes - 8/88	will be sought
Facility Construction	new construction	new construction	new construction	take-over	new construction
Facility Expansion Planned?	no	no	yes, 25 beds	no	no
* Notes			*New Mexico Department of Corrections		*Puerto Rico Administration of Corrections

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America
Facility Location	Ponce, Puerto Rico	Nashville, TN	Clifton, TN	Chattanooga, TN	Mason, TN
Facility Name	TBA	Metro-Davidson Co. Detention Center	South Central Correctional Center	Silverdale Facilities	West Tennessee Detention Facility
Primary Source of Prisoners	*Commonwealth of Puerto Rico	*Davidson County	*State of Tennessee	Hamilton County	U.S. Marshals Service
Secondary Source of Prisoners	N/A	N/A	N/A	U.S. Marshals Service	Washington, D.C.
Rated Capacity	1,500	870	1,336	414	416
Present Population	N/A	664	1,287	414	432
Occupancy Percentage	N/A	76.32%	96.33%	100.00%	103.85%
Security Level	medium	medium	medium	minimum	all levels
Ownership of Facility	public	public	public	public	private
First Received Prisoners	Sep-96	Feb-92	Mar-92	Sep-84	Oct-90
ACA Accreditation?	will be sought	yes - 1/94	yes - 1/94	no	yes - 8/92
Facility Construction	new construction	new construction	new construction	take-over	new construction
Facility Expansion Planned?	no	no	no	no	no
* Notes	*Puerto Rico Administration of Corrections	*Houses state prisoners	*Tennessee Department of Corrections		

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America	Corrections Corporation of America
Facility Location	Cleveland, TX	Laredo, TX	Houston, TX	Venus, TX	Venus, TX
Facility Name	Cleveland Pre-Release Center	Laredo Processing Center	Houston Processing Center	Venus Pre-Release Center	TBA
Primary Source of Prisoners	*State of Texas	Immigration and Naturalization Service	Immigration and Naturalization Service	*State of Texas	*State of Texas
Secondary Source of Prisoners	N/A	Federal Bureau of Prisons	*State of Texas	N/A	N/A
Rated Capacity	520	258	350	520	500
Present Population	520	261	397	520	500
Occupancy Percentage	100.00%	101.16%	113.43%	100.00%	100.00%
Security Level	minimum	minimum	minimum	minimum	minimum
Ownership of Facility	public	private	private	public	public
First Received Prisoners	Sep-89	Mar-85	May-84	Aug-89	Oct-94
ACA Accreditation?	yes - 7/90	no	yes - 1/86	yes - 10/90	will be sought
Facility Construction	new construction	new construction	new construction	new construction	new construction
Facility Expansion Planned?	no	no	no	no	no
* Notes	*TDCJ Institutional Division		*TDCJ Board of Pardons & Paroles	*TDCJ Institutional Division	*TDCJ Institutional Division

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Corrections Partners, Inc.	Corrections Partners, Inc.	Corrections Partners, Inc.	Corrections Partners, Inc.	Corrections Services, Inc.
Facility Location	Oswego, KS	Hinton, OK	Chesapeake, VA	TBA	Seal Beach, CA
Facility Name	Labette County Conservation Camp	Great Plains Correctional Facility	TBA	TBA	Seal Beach Detention Facility
Primary Source of Prisoners	*State of Kansas	*State of North Carolina	*State of Virginia	*State of Virginia	City of Seal Beach
Secondary Source of Prisoners	N/A	Federal Bureau of Prisons	N/A	N/A	Adjoining localities
Rated Capacity	104	480	400	400	32
Present Population	90	472	N/A	N/A	29
Occupancy Percentage	86.54%	98.33%	N/A	N/A	90.63%
Security Level	minimum	medium	minimum	minimum	pre-arraignment
Ownership of Facility	public	public	public	public	public
First Received Prisoners	Feb-91	Oct-91	Jul-95	Jul-95	Jul-94
ACA Accreditation?	in progress	yes - 8/93	will be sought	will be sought	will be sought
Facility Construction	new construction	new construction	new construction	new construction	renovation
Facility Expansion Planned?	will be sought	yes, 288 beds	no	no	no
* Notes	*Commitments ordered Kansas District Courts	*North Carolina Department of Corrections	*Virginia Department of Corrections	*Virginia Department of Corrections	

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	<i>Dove Development Corporation</i>	<i>Dove Development Corporation</i>	Eden Detention Center, Inc.	Esmor Correctional Services, Inc.	Esmor Correctional Services, Inc.
Facility Location	<i>Crystal City, TX</i>	<i>Pearsall, TX</i>	Eden, TX	Elizabeth, NJ	Tarrant Co., TX
Facility Name	<i>Crystal City Detention Center</i>	<i>Frio Detention Center</i>	Eden Detention Center	Elizabeth Processing Center	Tarrant County Community Correction Facility
Primary Source of Prisoners	<i>*State of Texas</i>	<i>*State of Texas</i>	Federal Bureau of Prisons	Immigration and Naturalization Service	Tarrant County
Secondary Source of Prisoners	<i>N/A</i>	<i>Frio County</i>	Immigration and Naturalization Service	N/A	N/A
Rated Capacity	<i>467</i>	<i>295</i>	499	300	320
Present Population	<i>321</i>	<i>312</i>	565	N/A	310
Occupancy Percentage	<i>68.74%</i>	<i>105.76%</i>	113.23%	N/A	96.88%
Security Level	<i>medium</i>	<i>minimum/medium</i>	minimum/medium	minimum/medium	minimum
Ownership of Facility	<i>private</i>	<i>public</i>	private	private	public
First Received Prisoners	<i>Jul-93</i>	<i>Dec-92</i>	Jan-89	Jul-94	Feb-92
ACA Accreditation?	<i>being considered</i>	<i>being considered</i>	no	will be sought	yes - 8/93
Facility Construction	<i>take-over</i>	<i>take-over</i>	new construction	renovation	new construction
Facility Expansion Planned?	<i>no</i>	<i>no</i>	yes, 200 beds	no	no
* Notes	<i>*TDCJ Institutional Division See Appendix A, Note 1 & 9</i>	<i>*TDCJ Institutional Division See Appendix A, Note 1</i>			

Private Adult Correctional Facility Census, United States Facilities

Management Company	Esmor Correctional Services, Inc.	Esmor Correctional Services, Inc.	GRW Corporation	GRW Corporation	Management & Training Corporation
Facility Location	Houston, TX	Seattle, WA	Ector County, TX	Odessa, TX	Marana, AZ
Facility Name	State of Texas Intermediate Sanction Facility	Seattle Processing Center	Ector County Detention Annex	Odessa Detention Center	Marana Community Treatment Facility
Primary Source of Prisoners	*State of Texas	Immigration and Naturalization Service	Ector County	City of Odessa	*State of Arizona
Secondary Source of Prisoners	N/A	N/A	N/A	*State of Texas	N/A
Rated Capacity	400	150	144	100	450
Present Population	390	145	144	100	N/A
Occupancy Percentage	97.50%	96.67%	100.00%	100.00%	N/A
Security Level	minimum	minimum/medium	medium	all levels	minimum
Ownership of Facility	public	public	public	public	private
First Received Prisoners	Dec-93	Jul-89	Jun-94	Oct-93	Sep-94
ACA Accreditation?	will be sought	yes - 9/91	no	no	no
Facility Construction	renovation	renovation	new construction	take-over	new construction
Facility Expansion Planned?	no	no	no	no	no
* Notes	*TDCJ Board of Pardons & Paroles			*TDCJ Institutional Division See Appendix A, Note 1	*Arizona Department of Corrections

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Management & Training Corporation	Management & Training Corporation	Mid-Tex Detention, Inc.	Mid-Tex Detention, Inc.	Mid-Tex Detention, Inc.
Facility Location	Desert Center, CA	Henderson County, TX	Big Spring, TX	Big Spring, TX	Big Spring, TX
Facility Name	Eagle Mountain Return-to-Custody Facility	Texas State Jail Facility, Henderson	City of Big Spring Correctional Center (Interstate)	City of Big Spring Correctional Center (Airpark)	TBA
Primary Source of Prisoners	*State of California	*State of Texas	Federal Bureau of Prisons	Federal Bureau of Prisons	Federal Bureau of Prisons
Secondary Source of Prisoners	N/A	N/A	Immigration and Naturalization Service	Immigration and Naturalization Service	Immigration and Naturalization Service
Rated Capacity	450	1,500	360	376	500
Present Population	425	N/A	368	376	N/A
Occupancy Percentage	94.44%	N/A	102.22%	100.00%	N/A
Security Level	minimum	minimum	minimum/medium	minimum/medium	minimum/medium
Ownership of Facility	private	public	public	public	public
First Received Prisoners	Sep-88	Jun-95	May-89	Feb-91	Jan-95
ACA Accreditation?	yes - 6/93	will be sought	no	no	no
Facility Construction	renovation	new construction	renovation	renovation	new
Facility Expansion Planned?	no	no	no	no	no
* Notes	*Parole Division	*TDCJ Institutional Division See Appendix A, Note 7			

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	<i>North American Corrections</i>	U.S. Corrections Corporation	U.S. Corrections Corporation	U.S. Corrections Corporation	U.S. Corrections Corporation
Facility Location	<i>Spur, TX</i>	Gretna, FL	Beautyville, KY	Louisville, KY	St. Marys, KY
Facility Name	<i>Dickens Detention Center</i>	Gadsden County Correctional Facility	Lee Adjustment Center	River City Correctional Center	Marion Adjustment Center
Primary Source of Prisoners	<i>*State of Texas</i>	*State of Florida	*Commonwealth of Kentucky	Jefferson County	*Commonwealth of Kentucky
Secondary Source of Prisoners	<i>N/A</i>	N/A	N/A	N/A	N/A
Rated Capacity	<i>489</i>	768	500	350	500
Present Population	<i>489</i>	N/A	450	325	450
Occupancy Percentage	<i>100.00%</i>	N/A	90.00%	92.86%	90.00%
Security Level	<i>maximum</i>	minimum/medium	minimum	minimum	minimum
Ownership of Facility	<i>private</i>	public	private	private	private
First Received Prisoners	<i>Jul-91</i>	Feb-95	Aug-90	Jan-90	Jan-86
ACA Accreditation?	<i>no</i>	will be sought	yes - 1/94	no	yes - 8/92
Facility Construction	<i>new construction</i>	new construction	new construction	renovation	new construction
Facility Expansion Planned?	<i>yes, 144 beds</i>	no	no	no	no
* Notes	<i>*TDCJ Institutional Division See Appendix A, Note 1</i>	*Florida Department of Corrections	*Kentucky Department of Corrections		*Kentucky Department of Corrections

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	U.S. Corrections Corporation	U.S. Corrections Corporation	The Villa at Greeley, Inc.	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation
Facility Location	Wheelwright, KY	Dixoll, TX	Del Camino, CO	McFarland, CA	San Diego, CA
Facility Name	Otter Creek Correctional Center	TBA	TBA	McFarland Return-to-Custody Facility	San Diego City Jail
Primary Source of Prisoners	*Commonwealth of Kentucky	*State of Texas	*State of Colorado	*State of California	City of San Diego
Secondary Source of Prisoners	N/A	N/A	N/A	N/A	N/A
Rated Capacity	300	500	400	224	200
Present Population	240	N/A	N/A	215	88
Occupancy Percentage	80.00%	N/A	N/A	95.98%	44.00%
Security Level	minimum	minimum/medium	minimum	minimum	minimum
Ownership of Facility	private	public	private	private	public
First Received Prisoners	Oct-93	Mar-95	May-95	Jan-89	May-92
ACA Accreditation?	will be sought	will be sought	will be sought	no	will be sought
Facility Construction	new construction	new construction	new construction	new construction	new construction
Facility Expansion Planned?	no	no	no	no	no
* Notes	*Kentucky Department of Corrections	*TDCJ Institutional Division	*Colorado Department of Corrections	*Parole Division	

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation
Facility Location	Aurora, CO	Glades County, FL	Kinder, LA	Jamaica/Queens	Bridgeport, TX
Facility Name	Aurora/INS Processing Center	TBA	Allen Correctional Center	New York INS Processing Center	Bridgeport Pre-Release Center
Primary Source of Prisoners	Immigration and Naturalization Service	*State of Florida	*State of Louisiana	Immigration and Naturalization Service	*State of Texas
Secondary Source of Prisoners	N/A	N/A	N/A	N/A	N/A
Rated Capacity	300	750	1,282	105	520
Present Population	199	N/A	1,275	100	519
Occupancy Percentage	66.33%	N/A	99.45%	95.24%	99.81%
Security Level	minimum	medium	medium	medium	minimum
Ownership of Facility	private	public	public	private	public
First Received Prisoners	May-87	Jun-95	Dec-90	Oct-89	Aug-89
ACA Accreditation?	yes - 9/89	will be sought	yes - 1/93	no	yes - 5/91
Facility Construction	new construction	new construction	new construction	renovation	new construction
Facility Expansion Planned?	no	no	no	no	no
* Notes		*Florida Correctional Privatization Commission	*Louisiana Department of Corrections		*TDCJ Institutional Division

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation
Facility Location	Fort Worth, TX	Jack County, TX	Kyle, TX	Lockhart, TX	Lockhart, TX
Facility Name	North TX Intermediate Sanctions Facility	TBA	Kyle Pre-Release Center	Lockhart Work Program Facility	Lockhart Pre-Release Center
Primary Source of Prisoners	*State of Texas	*State of Texas	*State of Texas	City of Lockhart	*State of Texas
Secondary Source of Prisoners	N/A	N/A	N/A	*State of Texas	N/A
Rated Capacity	400	1,000	520	500	500
Present Population	397	N/A	520	499	N/A
Occupancy Percentage	99.25%	N/A	100.00%	99.80%	N/A
Security Level	minimum	minimum	minimum	minimum	minimum
Ownership of Facility	public	public	public	public	public
First Received Prisoners	Aug-91	Jul-95	Jun-89	Jan-93	Oct-91
ACA Accreditation?	no	will be sought	yes - 9/90	will be sought	will be sought
Facility Construction	renovation	new construction	new construction	new construction	new construction
Facility Expansion Planned?	no	no	possible	no	no
* Notes	*TDCJ Board of Pardons & Paroles	*TDCJ Institutional Division <i>See Appendix A, Note 7</i>	*TDCJ Institutional Division	*TDCJ Board of Pardons & Paroles	*TDCJ Institutional Division

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, United States Facilities

Management Company	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation	Wackenhut Corrections Corporation
Facility Location	San Antonio, TX	Travis County, TX	Willacy County, TX
Facility Name	Central Texas Parole Violator Facility	TBA	TBA
Primary Source of Prisoners	*State of Texas	*State of Texas	*State of Texas
Secondary Source of Prisoners	U.S. Marshals Service	N/A	N/A
Rated Capacity	623	1,000	1,000
Present Population	611	N/A	N/A
Occupancy Percentage	98.07%	N/A	N/A
Security Level	minimum/medium	minimum	minimum
Ownership of Facility	public	public	public
First Received Prisoners	Jan-89	Jul-95	Jul-95
ACA Accreditation?	no	will be sought	will be sought
Facility Construction	take-over	new construction	new construction
Facility Expansion Planned?	no	no	no
* Notes	*TDCJ Board of Pardons & Paroles	*TDCJ Institutional Division <i>See Appendix A, Note 7</i>	*TDCJ Institutional Division <i>See Appendix A, Note 7</i>

Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, International Facilities

Management Company	*Australasian Correctional Management Property Limited	*Australasian Correctional Management Property Limited	*Corrections Corporation of Australia	Group 4 International Corrections Services
Country	Australia	Australia	Australia	England
Facility Location	New South Wales	Queensland	Queensland	Hull
Facility Name	Junce Correctional Centre	Arthur Gorrie Correctional Centre	Borahon Correctional Centre	Wolds Remand Prison
Primary Source of Prisoners	New South Wales Department of Corrective Services	Queensland Department of Correctional Services	Queensland Department of Correction Services	Home Office Remands Contract Unit
Secondary Source of Prisoners	N/A	N/A	N/A	N/A
Rated Capacity	600	518	276	300
Present Population	597	400	244	300
Occupancy Percentage	99.50%	77.22%	88.41%	100.00%
Security Level	minimum/medium	minimum/medium	all levels	medium
Ownership of Facility	private	public	N/A	public
Received Prisoners	Apr-93	Jun-92	Jan-90	Apr-92
Facility Construction	new construction	new construction	new construction	new construction
Expansion Plans?	none	none	yes, 90 beds	none
* Notes	*a subsidiary of the Wackenhut Corrections Corporation	*a subsidiary of the Wackenhut Corrections Corporation	*a Corrections Corporation of America joint venture company	

*Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics.

Private Adult Correctional Facility Census, International Facilities

Management Company	*Premier Prison Services, Ltd. Corporation	*UK Detention Services, Ltd.
Country	England	England
Facility Location	Middlesex	Redditch
Facility Name	HM Prison Doncaster	HM Prison Blackenhurst
Primary Source of Prisoners	Prison Minister's Office	Prison Minister's Office
Secondary Source of Prisoners	N/A	N/A
Rated Capacity	776	649
Present Population	173	649
Occupancy Percentage	22.29%	100.00%
Security Level	all levels	medium
Ownership of Facility	public	public
Received Prisoners	Jun-94	Apr-93
Facility Construction	new construction	new construction
Expansion Plans?	none	none
* Notes	*a Wackenhut Corrections Corporation joint venture company See Appendix A, Note 10	*a Corrections Corporation of America joint venture company

*Facilities not reported in the 12/31/93 Census appear in bold. Facilities whose size has changed significantly since the 12/31/93 Census appear in italics

Table 1: American, International, and Overall Corporate Market Share Comparisons

Management Firm	Capacity of All American Facilities Under Contract*	Capacity of All International Facilities Under Contract*	American Market Share	International Market Share	Overall Market Share
Alternative Programs, Inc.	240	0	0.60%	N/A	0.55%
The Bobby Ross Group	872	0	2.16%	N/A	2.00%
Capital Correctional Resources	836	0	2.07%	N/A	1.92%
Concept, Inc.	4,426	0	10.98%	N/A	10.17%
Cornell Cox, Inc.	794	0	1.97%	N/A	1.82%
Corrections Corporation of America	12,041	1,015	29.88%	31.63%	30.01%
Corrections Partners, Inc.	1,672	0	4.15%	N/A	3.84%
Corrections Services, Inc.	32	0	0.08%	N/A	0.07%
Dove Development Corporation	762	0	1.89%	N/A	1.75%
Eden Detention Center	699	0	1.73%	N/A	1.61%
Esmor Correctional Services, Inc.	1,170	0	2.90%	N/A	2.69%
Group 4 - ICS	0	300	N/A	9.35%	0.69%
The GRW Corporation	244	0	0.61%	N/A	0.56%
Management & Training Corporation	2,400	0	5.96%	N/A	5.52%
Mid-Tex Detention, Inc.	1,236	0	3.07%	N/A	2.84%
North American Corrections	633	0	1.57%	N/A	1.45%
U.S. Corrections Corporation	2,918	0	7.24%	N/A	6.71%
The Villa at Greeley, Inc.	400	0	0.99%	N/A	0.92%
Wackenhut Corrections Corporation	8,924	1,894	22.14%	59.02%	24.86%
Totals	40,299	3,209	100.00%	100.00%	100.00%

*Capacity Figures Include New Facilities and Expansions of Existing Facilities.

Figure 1: Secure Private Correctional Facility Beds Under Management Trend, 1983 Thru June 30, 1994

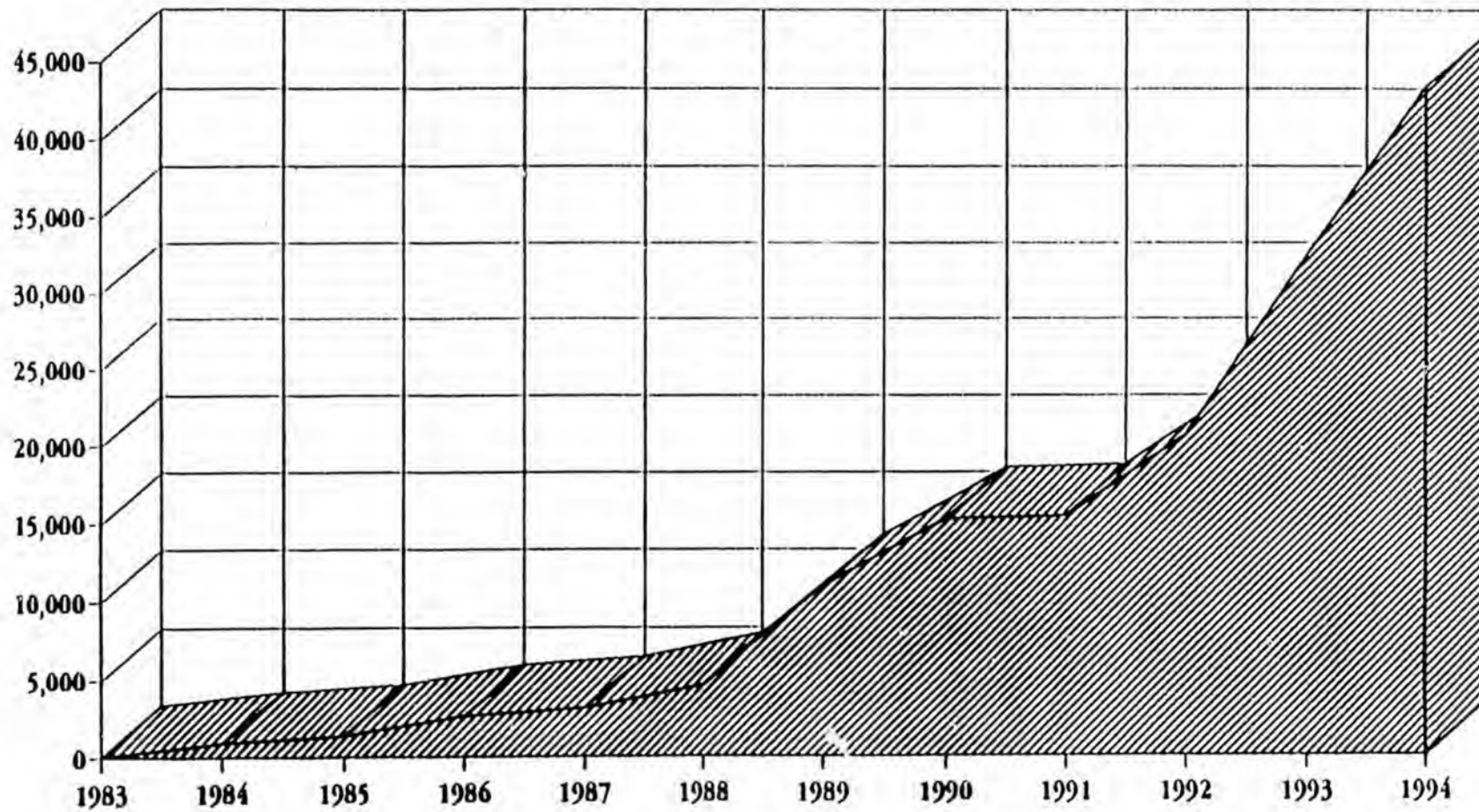


Figure 2: Geographical Locations of Private Facilities (Including Facilities Under Construction)

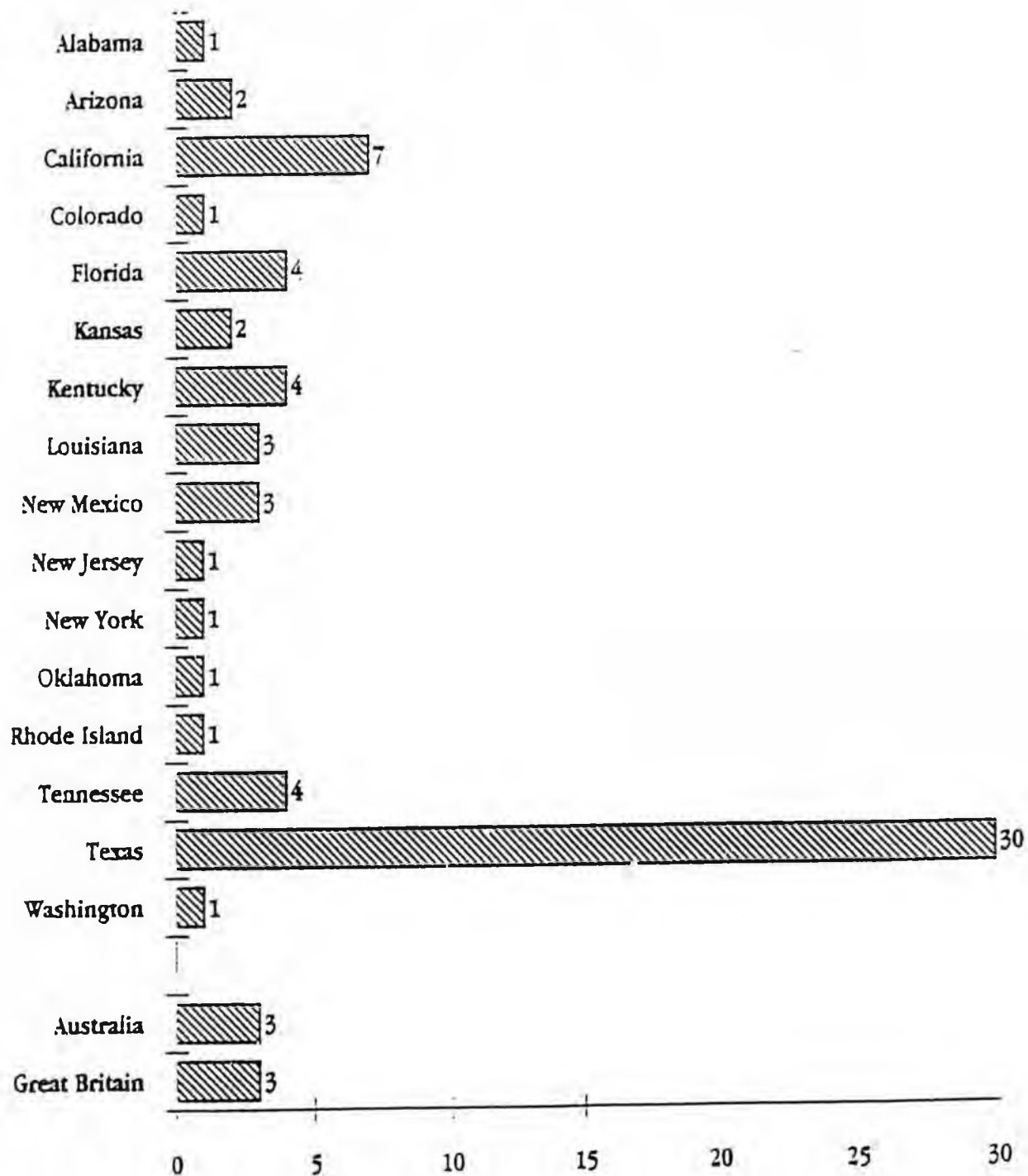
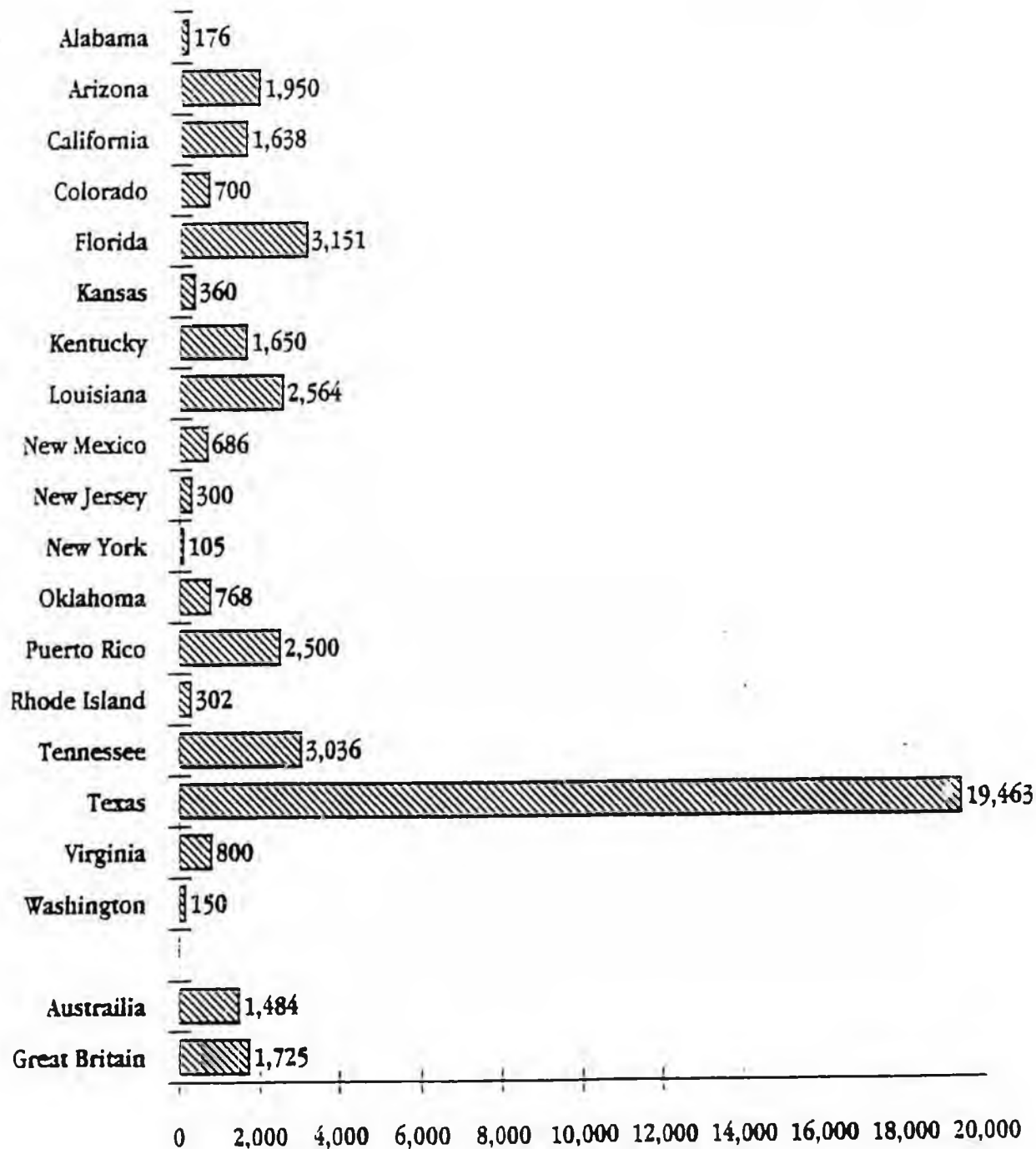


Figure 3: Rated Capacities of Private Facilities by Geographical Location (Including Facilities Under Construction & Planned Expansions)



Notes to Clarify Data for Individual Facilities

APPENDIX A

Note 1: The Institutional Division of the Texas Department of Criminal Justice (TDCJ) is now or in the immediate future will be responsible for at least four distinctively different types of correctional facilities: (1) traditional state prisons, (2) facilities for prisoners who were successfully prosecuted for offenses categorized as "state jail felonies," (3) pre-release centers operated by private firms working under contract with the TDCJ, and (4) a special set of privately-managed facilities which house sentenced offenders for whom no suitable space is available in other categories of TDCJ facilities. This note identifies facilities whose prisoner populations fall in whole or substantial part in the fourth category. These prisoners are commonly referred to as "backlog" or as "paper-ready" inmates.

Note 2: This facility was previously operated by Concept, Inc. and, before that, by Texas Detention Management, Inc. Texas Detention Management, Inc. no longer operates any secure adult correctional facilities.

Note 3: This facility was previously operated by Detention Services, Inc. Detention Services, Inc. no longer operates any secure adult correctional facilities.

Note 4: This facility was previously operated by Pricor, Inc. Pricor, Inc. no longer operates any secure adult correctional facilities.

Note 5: This facility was previously described as having a rated capacity of 1,800 prisoners. The rated capacity now indicated more accurately reflects the existing capacity of the facility. Significant renovation would on existing structures would be required prior to the facility being suitable for the housing of 1,800 prisoners.

Note 6: This facility was previously operated by Pricor, Inc.

Note 7: This note identifies facilities intended to house state jail felons. Also see Note 1.

Note 8: This note identifies facilities operated by Eclectic Communications, Inc. (ECI). As indicated in the Preface, ECI is now a wholly-owned subsidiary of Cornell Cox, Inc.

Note 9: This facility was previously operated by Detention Services, Inc.

Note 10: The low occupancy level reported for this facility is an artifact of its opening soon before the completion of the Census. An occupancy percentage substantially equal to the average reported in the summary statistical data is anticipated by August 1, 1994.

An Overview of Relevant Information on Juvenile and Non-Secure Facility Management by Management Firms Included in the 7th Edition

Appendix B

Cornell Cox, Inc. Cornell Cox, Inc., via the efforts of Eclectic Communications, Inc., which is now a subsidiary of Cornell Cox, Inc., also operates a 50-bed non-secure facility in San Francisco, California under a contract with the California Department of Corrections, a 47-bed facility in Inglewood, California under a contract with the California Department of Corrections, a 40-bed facility in Los Angeles, California under a contract with the California Department of Corrections, a 50-bed facility in Oakland, California under a contract with the Federal Bureau of Prisons, a 50-bed facility in San Diego, California under a contract with the Federal Bureau of Prisons, a 66-bed facility in San Francisco, California under a contract with the Federal Bureau of Prisons, a 15-bed facility in Goleta, California under a contract with the California Department of Corrections, a 25-bed facility in Inglewood, California under a contract with the California Department of Corrections, and a 43-bed facility in El Monte, California under a contract with the Federal Bureau of Prisons.

Corrections Corporation of America The Corrections Corporation of America also operates the Shelby Training Center, a 175-bed secure juvenile training school in Memphis, Tennessee, and Tall Trees, a 63-bed non-secure juvenile residential facility in Memphis, Tennessee

Corrections Partners, Inc. Corrections Partners, Inc. also operates the 80-bed Davidson County Juvenile Detention Facility in Nashville, Tennessee and has begun construction of the Southwest Indiana Regional Youth Village, a 140-bed juvenile facility located in Vincennes, Indiana.

Esmor Correctional Services, Inc. Esmor Correctional Services, Inc. also operates the 72-bed Brooklyn Correctional Center for Men in Brooklyn, New York under a contract with the Federal Bureau of Prisons, the 101-bed LeMarquis Correctional Center for Men in New York, New York under a contract with the Federal Bureau of Prisons, the 36-bed LeMarquis Correctional Center for Women in New York, New York under a contract with the Federal Bureau of Prisons, the 150-bed New York Community Correctional Program under a contract with the New York State Department of Corrections, and the 200-bed Fort Worth Community Corrections Facility under a contract with the Texas Board of Pardons and Paroles.

The GRW Corporation The GRW Corporation also will begin operating a 400-bed secure juvenile facility in October, 1994 in Tallulah, Louisiana under a contract with the Louisiana Office of Youth Development.

Wackenhut Corrections Corporation The Wackenhut Corrections Corporation will begin operating a 96-bed secure juvenile facility in Coke County, Texas on October 1, 1994 under a contract with the Texas Youth Commission.

Preliminary Findings Regarding Legal Authority to Contract

Appendix C

The materials presented in this appendix summarize preliminary research conducted by the Private Corrections Project regarding the existing status of law in American jurisdictions. As a general rule, the scope of contracting authority is established by expressed statutory provisions. The applicability of this general rule, however, is determined by interpretations of individual constitutions and of general statutes that define the rights and obligations of public correctional authorities.

Reasonable care was taken to assure the validity of the information provided here. All statutes were reviewed both manually and via computerized scans. An effort also was made to identify relevant Attorney General opinions. Representatives of the Attorney General in each jurisdiction were asked to confirm the accuracy of the initial research findings. Nonetheless, the results reported here should be viewed as preliminary rather than final. They certainly do not represent any effort to provide a legal opinion regarding the present status of contracting authority in any jurisdiction.

Readers are solicited to comment on these preliminary results and, where possible, to refer us to specific statutory materials or attorney general opinions they feel we should take into account in our preparation of future summaries of this area of law.

Preliminary Research Findings Regarding Legal Authority to Contract for Secure Adult Facilities

Jurisdiction	Source of Local-Level Contracting Authority	Local-Level Contract(s) Awarded?	Source of State-Level Contracting Authority?	State-Level Contract(s) Awarded?
Alabama	Statutory Interpretation	Yes	None Identified	No
Alaska	Expressed Statutory	No	Expressed Statutory	No
Arizona	Expressed Statutory	No	Expressed Statutory	Yes
Arkansas	Expressed Statutory	No	Expressed Statutory	No
California	Expressed Statutory	Yes	Expressed Statutory	Yes
Colorado	Expressed Statutory	No	Expressed Statutory	Yes
Connecticut	None Identified	No	None Identified	No
Delaware	N/A	N/A	No	No
District of Columbia	Statutory Interpretation	Yes	N/A	N/A
Florida	Expressed Statutory	Yes	Expressed Statutory	Yes
Georgia	None Identified	No	None Identified	No
Hawaii	N/A	No	None Identified	No
Idaho	None Identified	No	None Identified	No
Illinois	Statutory Prohibition	No	Statutory Prohibition	No
Indiana	Expressed Statutory	No	Expressed Statutory	No
Iowa	Statutory Interpretation	No	Statutory Interpretation	No
Kansas	None Identified	Yes	None Identified	No
Louisiana	Expressed Statutory	Yes	Expressed Statutory	Yes
Kentucky	Expressed Statutory	Yes	Expressed Statutory	Yes
Maine	Negative Attorney General Opinion	No	None Identified	No
Maryland	Statutory Interpretation	No	Statutory Interpretation	No
Massachusetts	None Identified	No	None Identified	No
Michigan	Negative Attorney General Opinion	No	None Identified	No
Minnesota	Expressed Statutory	No	Statutory Interpretation	No
Mississippi	Expressed Statutory	No	Expressed Statutory	No
Missouri	Negative Attorney General Opinion	No	Negative Attorney General Opinion	No

Preliminary Research Findings Regarding Legal Authority to Contract for Secure Adult Facilities

Montana	Expressed Statutory	No	Expressed Statutory	No
Nebraska	Expressed Statutory	No	Expressed Statutory	No
Nevada	Expressed Statutory	No	None Identified	No
New Hampshire	Expressed Statutory	No	None Identified	No
New Jersey	None Identified	No	None Identified	No
New Mexico	Expressed Statutory	Yes	Expressed Statutory	Yes
New York	None Identified	No	Statutory Prohibition	No
North Carolina	None Identified	No	None Identified	Yes, for out-of-state facilities
North Dakota	Expressed Statutory	No	Expressed Statutory	No
Ohio	Negative Attorney General Opinion	No	None Identified	No
Oklahoma	Expressed Statutory	No	Expressed Statutory	No
Oregon	None Identified	No	None Identified	No
Pennsylvania	None Identified	No	None Identified	No
Puerto Rico	None Identified	No	Expressed Statutory	Yes
Rhode Island	None Identified	No	None Identified	No
South Carolina	Statutory Interpretation	No	None Identified	No
South Dakota	None Identified	No	Expressed Statutory	No
Tennessee	Expressed Statutory	Yes	Expressed Statutory	Yes
Texas	Expressed Statutory	Yes	Expressed Statutory	Yes
Utah	Expressed Statutory	No	Expressed Statutory	Award Pending
Vermont	None Identified	No	None Identified	No
Virginia	Negative Attorney General Opinion	No	Expressed Statutory	Yes
Washington	None Identified	No	None Identified	No
West Virginia	Expressed Statutory	No	Expressed Statutory	No
Wisconsin	None Identified	No	None Identified	No
Wyoming	Expressed Statutory	No	Expressed Statutory	No

Management Firm Addresses

Alternative Programs, Inc.

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(805) 326-0411

The Bobby Ross Group

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1021 Ranch Road 620 South, Suite D
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Capital Correctional Resources, Inc.

Mr. Mike Brewer
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Jackson, MS 39209
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Concept, Inc.

Bill Sandbach
325 West Main Street, Suite 1802
Louisville, KY 40202
(502) 585-5023

Cornell Cox, Inc.

Norm Cox
8023 Vantage Drive, Suite 970
San Antonio, TX 78230
(210) 525-8201

Correctional Partners, Inc.

Michael Shmerling
Loews Vanderbilt Plaza
2100 West End Avenue, Suite 725
Nashville, TN 37203
(615) 320-9800

Corrections Corporation of America

John D. Rees
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Nashville, TN 37205
(615) 292-3100

Corrections Services, Inc.

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Alliso Viejo, CA 92656
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Ron Greiner
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Eden Detention Center, Inc.

Don Zimmerman
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Esmor Correctional Services, Inc.

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Group 4 International Correctional Services

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GRW Corporation

Gil R. Walker
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(615) 373-5703

Management and Training Corporation.

Ron Russell
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Ogden, UT 84403
(801) 626-2000

Man Care. Ltd. Institutional Management Services

Roger Kendrick
St. James Court
Wilderspool Causeway
Warrington
England
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Mid-Tex Detentions, Inc.

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North American Corrections

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Spur, TX 79370
(806) 271-3421

TASC, Inc.

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Midland, TX 79705
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U.S. Corrections Corporation

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Louisville, KY 40208
(502) 635-5444

The Villa at Greeley

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(303) 353-9512

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Capital Correctional Resources

Limestone County Detention Center
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Concept, Inc.

Bridgeport Pre-Parole Transfer Facility
James Eddington
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Bridgeport, TX 76426
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Brownfield Intermediate Sanction Facility
George Fry
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Brownfield, TX 79316
(806) 637-4032

Mineral Wells Pre-Parole Transfer Facility
Harvey Cox
Route 4, Building 780
Mineral Wells, TX 76067
(817) 325-6933

Sweetwater Pre-Parole Transfer Facility
Jody Bradley
Route 3, Avenger Village
Sweetwater, TX 79556
(915) 235-1751

Tuscaloosa Metropolitan Detention Facility
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Tuscaloosa, AL 35401
(205) 349-4511

Cornell Cox, Inc.

Baker Community Correction Facility
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Baker, CA 92309
(619) 733-4356

Leo Chesney Community Correction Facility
Jacqueline Hildebrand
P.O. Box 66
Live Oak, CA 95953
(916) 695-1846

Wyatt Detention Facility
Joseph Ponte
950 High Street
Central Falls, RI 02863
(401) 729-1190

Correctional Partners, Inc.

Great Plains Correctional Facility
Tom Martin
P.O. Box 1018
Hinton, OK 73047
(405) 542-3711

Labette County Conservation Camp
Walter Wharton
Oswego, KS 67356
(316) 795-2925

Corrections Corporation of America

Bay County Jail
Denny Durbin
314 1/2 Harmon Avenue
Panama City, FL 32401
(904) 785-5245

Bay County Jail Annex
Denny Durbin
5600 Nehl Road
Panama City, FL 32404
(904) 785-3007

Cleveland Pre-Release Facility
Joe Ross Driskeil
901 Fifth Street
Cleveland, TX 77328
(713) 592-9559

Hernando County Jail
L.T. Brown
16425 Spring Hill Drive
Brooksville, FL 34609
(904) 799-7379

Houston Processing Center
Pam Fugazzi
15850 Export Plaza Road
Houston, TX 77032
(713) 449-1481

Laredo Processing Center
Jose Hinojosa
RR#4, Box 125-A
Laredo, TX 78041
(512) 727-4118

Leavenworth Detention Center
Butch Jordon
100 Highway Terrace
Leavenworth, KS 66048
(913) 727-3246

Metro-Davidson County Detention Center
Jimmy Turner
P.O. Box 17427
Nashville, TN 37217
(615) 831-7088

New Mexico's Women's Correction Facility
Tom Newton
1700 East Old Highway 66
Grants, NM 87020
(505) 287-2941

Santa Fe Detention Center
Joe V. Gutierrez
4250 Airport Road
Santa Fe, NM 87505
(505) 473-4164

Silverdale Facilities
Tim Baltz
7609 Standifer Gap Road
Chattanooga, TN 37421
(615) 892-0921

South Central Correctional Center
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Clifton, TN 38425
(615) 676-5372

Torrance County Detention Facility
Daniel P. Moriarty
P.O. Box 837
Estancia, NM 87016
(505) 384-2711

Venus Pre-Release Center
Sandy Estes
P.O. Box 361
Venus, TX 76084
(214) 366-3334

West Tennessee Detention Facility
Thomas C. Ruffino
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Mason, TN 38049
(901) 294-3060

Winn Parrish Correction Center
Mike Gilliam
P.O. Box 1260
Winnfield, LA 71483
(318) 628-3971

Dove Development Corporation

Frio Detention Center
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(210) 334-3320

Crystal City Detention Center
Larry Young
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Eden Detention Center, Inc.

Eden Detention Center
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(915) 869-2704

Esmor Correctional Services, Inc.

Seattle Processing Center
William Paul
815 Airport Way South
Seattle, WA 98134
(206) 467-6030

South Texas Intermediate Sanction Facility
Fred Bagley
1511 Preston Avenue
Houston, TX 77002
(713) 223-0601

Tarrant County Community Corrections Facility
Ron King
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Mansfield, TX 76063
(817) 473-1324

GRW Corporation

Odessa Detention Center
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Odessa, TX 79761
(915) 332-6033

Ector County Detention Annex
Wallace Brucker
102 Reed Avenue
Odessa, TX 79761
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Management & Training Corporation

Eagle Mountain Return-to-Custody Facility
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Fran Roberts
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City of Big Spring Correctional Center (Airpark Unit)
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North American Corrections

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Spur, TX 79370
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U.S. Corrections Corporation

Lee Adjustment Center
Don Stewart
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(606) 464-2866

Marion Adjustment Center
P.O. Box 10
St. Mary, KY 40063
(502) 692-9622

Otter Creek Correctional Center
P. O. Box 500
Wheelwright, KY 41669-0500
(606) 452-9700

River City Correctional Center
Beverly Heiney
Eighth and Market St.
Louisville, KY 40202
(502) 587-6506

Wackebut Corrections Corporation

Allen Correctional Center
Terry L. Terrell
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(318) 639-2942

Aurora / INS Processing Center
Craig Dobson
11901 East 30th Avenue
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Bridgeport Pre-Release Center
Don Houston
4000 N. 10th Street
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Central Texas Parole Violator Facility
Paul Bailey
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Lockhart Work Program Correctional Facility
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McFarland Return-to-Custody Facility
Larry Brinkman
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New Vision Chemical Dependency Treatment Facility
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New York / INS Processing Center
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Jamaica (Queens), NY 11413
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North Texas Intermediate Sanction Facility
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Rob Roberts
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Junee Correctional Centre
George Grigas
Park Lane
Junee, New South Wales
2663 Australia
(011) 616-924-3113

*CCA International/Corrections Corporation of
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Borallon Correctional Centre
Brian Dickson
P.O. Box 782
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(67) 677-870-0133

Group 4 ICS

Wolds Remand Prison
Steven Twinn
Brough, Humberside
United Kingdom HU152JZ
(44) 386-858-585

*Premier Prison Services, Ltd./Wackenbut
Corrections Corporation*

Doncaster Prison
Kevin Rodgers
c/o PPS, Ltd.
Sunbury-On-Thames
Middlesex
United Kingdom TW167HW
(44) 932-770-519

*UK Detention Services, Ltd./Corrections
Corporation of America*

Blakenhurst Prison
David Brook
Hewell Lane
Redditch
Worshestershire
United Kingdom B97Q3
(44) 527-543-348

PUBLIC OFFICIAL OF THE YEAR

STEPHEN GOLDSMITH

Busting the Government Monopoly



The New Yorks and the Los Angeleses of this country don't usually turn to smaller Midwestern cities for advice on how to run their mammoth municipalities. But these days, they're looking to the heartland city of Indianapolis to learn about the power of competition: how Mayor Stephen Goldsmith is using it to cut costs, motivate city employees and

pare down government.

Goldsmith believes that "competing out" services—letting city agencies compete with the private sector for city contracts—is the way to make government work better. That wasn't his view during his 1991 election campaign, when he touted outright privatization as a panacea. That got him the support of his party, but left union workers fearing for their jobs and opposing his election.

What turned things around was Goldsmith's decision, about six months after taking office, to not only allow the city's own employees to compete for the work but to encourage them to do so. The city even provided them with a consultant.

And competitive activity has certainly revved up in the past two years. Indianapolis has moved more than 60 municipal services into the marketplace for bid. As a result, the city has cut its work force by one-third—mostly middle managers—and reduced its budget by \$24 million. Additional money saved in various departments has gone toward critical needs such as infrastructure improvement in neighborhoods and putting more police officers on the street. All this was done without raising taxes but by "breaking up the government monopoly," as Goldsmith puts it.

Each time services are competed out, the aim is to make them more efficient and less costly, whether or not they are privatized. City departments recently lost the contracts for information services, parking meter enforcement and overseeing the operations of the Indianapolis International Airport. But about half of the services that have faced competition from private bids have remained with city workers. One of those was Indi-



anapolis Fleet Services, which manages and repairs city vehicles.

The department was already considered well run. But in the race to beat out three national private competitors, IFS dramatically cut costs, slashed overhead and improved service. Spending was down \$2 million in 1994 from 1991, and the work force was reduced from 117 to 86. Yet the number of written complaints dropped to five last year, from 149 in 1990. "Competition and risk are good motivators," Goldsmith says.

The 48-year-old Goldsmith insists that he's not doing anything that hasn't been done elsewhere. But he's fashioned the much-talked-about idea of running government as a business into a coherent management strategy. "I've been stealing everyone's ideas for 15 years and put them all together," he says. "We developed an approach that's working at a time when people are desperate for non-conventional answers."

He now has the backing of the city's major public-employee unions, whose members have been energized by competition. It helps that no union workers have lost their jobs, although some are now in the private sector. But public employees also enjoy more input in department decisions. They get incentive bonuses for saving the city money—this year public works employees got bonuses ranging from \$600 to \$1,700. And they have direct e-mail access to the mayor, who responds to their comments and questions. That pleases Steven Quick, president of AFSCME Local 725: "We've never had a mayor do that before."
—Ellen Perlman

'I've been stealing everyone's ideas for 15 years and put them all together.'

JUNEAU EMPIRE, SUNDAY, OCTOBER 8, 1995

Tight quarters break the law



MICHAEL PENN / THE JUNEAU EMPIRE
Bret Hodges, right, along with Craig Allen, top left, and Chris Roger, all convicted felons, spend most of their time in E Dorm at the Lemon Creek Correctional Center. The dormitory holds twice as many inmates than originally built for.

Prison population grows as Alaska's fines mount

■ Friday, state prisons held 2,739 inmates, which exceeds court-ordered emergency capacity of 2,665

By JEANINE POHL

THE JUNEAU EMPIRE

The fines are more than half a million dollars and growing almost daily, but the state of Alaska says it still can't pay the court-ordered penalties in the case it lost against inmates in a prison-rights lawsuit more than a year ago.

And part of the problem that created the class-action lawsuit known as the Cleary case - overcrowded prisons - is expected to continue growing as prison populations increase in the fall and winter months, when unemployment increases and so does the crime rate.

As of Friday, the state-prison population was 2,739, which is over its court-ordered emergency capacity of 2,665.

State Corrections Commissioner Margaret Pugh said she will again ask the Legislature when it convenes in January for funds to pay more than \$650,000 in fines the state has accumulated since a court order then imposed in September 1994.

The Cleary case was first filed

in 1981; the 1994 agreement came out of a court determination that the state was in contempt of earlier orders regarding prison overcrowding.

Every day one of the state's 15 prisons is over capacity the state is fined \$300, and if the total prison population statewide exceeds capacity there is an additional \$300 daily fine.

The state's funding request was turned down during the last legislative session because Republican majority lawmakers said at the time they didn't want to use general fund money to be transferred from one state agency to another, from prisons to the courts.

"It was a paper exercise," said Rep. Brian Porter, R-Anchorage, of the state's request.

Porter is chairman of the House Judiciary Committee, which he said will look at measures to lower the prison population, including alternative sentencing and sharing the responsibility for misdemeanor offenses with local governments.

Porter stopped short, however, of advocating for more prevention programs - a goal of the Knowles administration - saying he's not yet convinced that prevention works to keep people out of jail as well as traditional penalties and sentences.

Building more prisons is another
Please turn to Fines, Page A6

Inmates shipped to Arizona are subject of appeal

By JEANINE POHL

THE JUNEAU EMPIRE

The state of Alaska and attorneys for prison inmates continue to wrangle in court over the fate of 206 Alaska inmates doing time in a private Arizona jail.

The first contract with Central Arizona Detention Center in Florence, Ariz., ended June 30, but the state extended it through June 1996, Department of Corrections Commissioner Margaret Pugh said Friday.

When prisoners were first shipped south in January, the state called it a stop-gap measure to relieve overcrowding and slow the fines the state accumulates each day one or more of its 15 prisons exceeds its capacity.

The fines are part of a settlement of the Cleary case, a class-action lawsuit first filed in 1981 on behalf of Alaska prisoners over prison-crowding conditions and other complaints.

Lawyers for the inmates tried to stop the transfer from taking place, arguing that some inmates were moved south against their will, or were separated from families.
Please turn to Appeal, Page A6

Fines . . .

Continued from A1

er option Porter said he would consider, but cautiously.

Pugh also said that expanding state prisons is an option, although she is working more toward less expensive alternatives to jail time and to preventing crime in the first place.

"We can't build our way out of the social problems that create criminal behavior," she said.

An attorney for the inmate plaintiffs said he expects the Legislature may be more forthcoming with funding this coming session,

because a plan will be submitted on behalf of the inmates with specific suggestions on how the fines would be spent.

Anchorage attorney Scott Taylor said when the Department of Corrections asked the Legislature for money last session to pay the fines, it was an arbitrary number, based on what the department thought the fines might be.

Taylor said Anchorage Superior Court Judge Karen Hunt asked both sides in the case last spring to estimate the fines accumulated, and how the money should be spent.

Once that's been determined,

Taylor believes Hunt will approve such a plan, which can then be submitted to the Legislature for funding.

"I have no reason to believe they won't ultimately pay this," Taylor said of legislators.

However Michael Stark, assistant attorney general for Corrections at the Alaska Department of Law, said it doesn't make sense to determine how money can be spent until the Legislature appropriates it.

Taylor responded that the state's position is a chicken-and-egg argument, which will ultimately be decided by Judge Hunt.

Appeal . . .

Continued from A1

lies, and that some of the prisoners' rights and benefits as Alaskans have not been carried through in Arizona.

While inmate attorney Scott Taylor said he is asking that the transfer plan be rejected, he also realizes that it may not be practical to ask that inmates be returned to Alaska.

Some are satisfied serving time in Arizona, Taylor said Friday, but others were pulled out of Alaska while in the midst of training or

education programs that aren't being offered at the private prison.

"Some should be given the opportunity to come back," Taylor said from Anchorage. . . .

The Department of Corrections maintains that prisoners' rights haven't be compromised by the move south.

Michael Stark, assistant attorney general for the Corrections Department, said the state maintains that the Cleary settlement agreement only covers inmates in prisons owned or operated by the state.

The Corrections Department

did include many parts of the Cleary settlement agreement into its contract with the Arizona prison, Stark said.

Under state law, he said, the department may contract out with a private corporation providing "a similar degree of custody and care" to what inmates would have experienced in an Alaska prison.

Although initial appeals on behalf of inmates to the Alaska Supreme Court were rejected, hearings on the appeal were held earlier this month by Anchorage Superior Court Judge Karen Hunt.

Oral arguments in the case are scheduled for Nov. 20.

National Report

The New York Times

SATURDAY, AUGUST 19, 1995

Private Tennessee Prison Is Praised in State Studies

Officials Nationwide Are Paying Notice

By FOX BUTTERFIELD

CLIFTON, Tenn. — Except for the corporate shoulder patch on the guards' uniforms, the South Central Correctional Center could be mistaken for any other modern prison, a campus of squat concrete structures surrounded by a double chain-link fence topped with coils of razor wire glinting under the sun.

But two recent studies by a special committee of the Tennessee Legislature have concluded that the prison here, run by the Corrections Corporation of America, is operating at a lower cost and providing better and safer services than comparable prisons administered by the State Department of Corrections.

The studies, while limited to one state, are drawing attention among prison officials nationwide because they provide the strongest evidence yet that private, for-profit prisons, after a decade of occasional blunders and persistent criticism from opponents, can work. And, while the studies show only slightly better performance by the private prisons, they come at a time when governments across the country, including New York City's, are increasingly turning to private prisons as a way to cut costs.

The number of inmates in privately managed or owned prisons is expected to leap to 65,000 by this year's end from 1,345 in 1985, with a projected annual growth of 35 percent over the next few years, said Charles W. Thomas, a criminologist and director of the Private Prisons Project at the University of Florida. Indeed, the prison business has become one of the fastest-growing industries in the nation.

On Aug. 11, aides to Mayor Rudolph W. Giuliani of New York said they had begun soliciting proposals from private companies to take over the management of some of the city's jails.



Kevin Myers, warden of the South Central Correctional Center, the private prison that studies by two Tennessee Legislature committees said was operating at a lower cost and providing better and safer services than similar prisons run by the State Corrections Department.

And the Clinton Administration has said that for the first time the Federal Bureau of Prisons would turn over to private companies four newly built minimum- and low-security prisons. Australia, Britain and New Zealand have recently copied the American private-prison lead, while Canada, France, the Netherlands and the Czech Republic are negotiating with American concerns to build private prisons.

Even a critic of such privatization, John J. Dilulio Jr., professor of poli-

tics and public affairs at Princeton University, said he was impressed with the results in Tennessee and several other private prisons. "This success comes as a surprise," he said. Because of widespread corruption and the exploitation of inmate labor when private prisons were in vogue in the 18th and 19th centuries, he said he had expected more abuses when for-profit prisons were first revived in the Reagan Administration.

"I remain against private prisons for philosophical reasons," Professor DiIulio said. "People would not be happy with private police or private executions. But I have to concede that the evidence so far is favorable."

Even some inmates who have been in the South Central prison agree it is well-run. "I should have never left," Samuel Mitchell, a 21-year-old convicted robber, said of South Central, which is tucked in an isolated green hollow just above the point where Tennessee, Alabama and Mississippi meet.

But critics and nettlesome questions remain. Professor DiIulio pointed out that the private prison companies have largely confined themselves to managing smaller, lower-security institutions and have yet to tackle any of the big maximum security prisons that require more staffing and are therefore more expensive to run. He calls this practice "creaming" and says it "leaves a cloud over the evidence."

The industry has attracted some companies with little experience and more interest in the bottom line than in administering a prison.

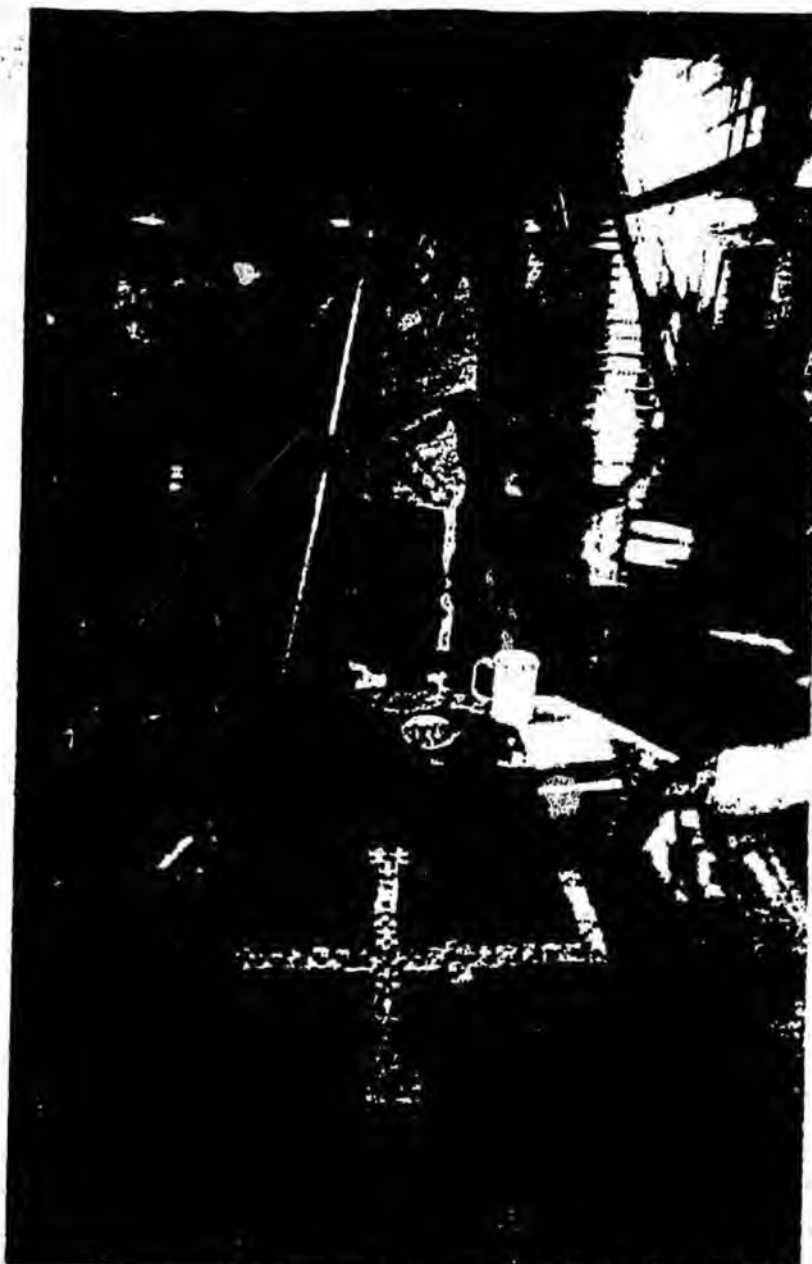
The Immigration and Naturalization Service recently canceled the contract of the Esmor Correctional Services Corporation after an uprising in its immigration detention center in Elizabeth, N.J. An investigation by the service found that Esmor, in cutting costs, had failed to train guards and that they abused detainees by beating them or putting them in leg irons.

J. Michael Quinlan, a former director of the Federal Bureau of Prisons and now director of strategic planning for Corrections Corporation of America, said some government agencies needed to be more watchful. Some agencies, Mr. Quinlan said, look to private prisons simply as a way "to do something on the cheap."

Prison costs are the fastest growing budgetary item for many government agencies, as the number of inmates held by Federal, state and local governments has tripled over the past two decades, to 1.5 million.

"They are just warehousing," Mr. Quinlan said, "when they should be looking at the full range of education programs, job training and recreation to keep the inmates from being idle."

Texas, for example, which has more than 30 private prisons, the most in the country, requires that private concerns guarantee a cost that is at least 10 percent below that of the State Department of Criminal Justice Services prisons. As a result, Professor Thomas of the University of Florida said, Texas pays too little to allow for good educational and jobs programs in its private prisons.



Photograph by Alan E. Venzor for The New York Times

Two Tennessee studies provide the strongest evidence yet that private, for-profit prisons can work. Phillip Phillips, 25, serving 10 years at the South Central Correctional Center at Clifton, Tenn., a private prison studied, said it was the best of the half dozen prisons he has been in.

Norval Morris, a penologist and professor of law and criminology emeritus at the University of Chicago, said: "This is simply selling a prisoner into servitude. Obviously, you can build a dungeon and throw people in it and throw food down to them very cheaply. The question is what services you provide them."

The boom in private prisons has also led to criticism from inmates' families, as convicts have been shipped to private prisons in distant states.

Bobby Ross, a former sheriff and president of the Bobby Ross Group, estimates that more than 3,000 inmates from Colorado, Missouri, North Carolina, Utah and Virginia are in private prisons outside their own state. Mr. Ross recently imported 735 inmates from Virginia to fill his company's Newton Correctional

Facility, on the Louisiana border near Beaumont, Tex.

"It's just making real efficient use of beds," Mr. Ross said. "It has its downside," he acknowledged. "Their families resent the distance. But it may be better for the inmates. They were sleeping on the floor where they were before."

So far, despite several lawsuits by these transported inmates, no court has ruled the practice illegal.

Comparing the quality of prisons, even among state-run prisons within the same state, has long been a tricky business because of the different characteristics of the prisons and their inmates. But the two recent reports by a special joint committee of the Tennessee Legislature compare the privately run South Central prison with two state prisons that were built at the same time and

have an identical design and size, with just over 1,000 inmates each. Because of this, experts say the comparative studies are the most accurate and comprehensive evaluation available.

Based on the findings, the Legislature gave the South Central prison run by the Corrections Corporation a score of 87.48, compared with scores of 87.23 and 85.28 for the two state prisons.

One report measured a long list of factors including escapes, assaults, disciplinary write-ups and the availability of medical care, jobs and education programs. During the two-year study, South Central prison had no escapes while one of the state prisons had one and the other had two. As for prisoner assaults, one of the state prisons recorded 165 on guards and other inmates and the other had 69 while South Central had 80.

A second study by the committee found that the Corrections Corporation's prison cost an average of \$35.18 per inmate per day, compared with an average of \$35.76 in the two state prisons. This means that the privately run prison saves the state about \$150,000 a year. The state renewed Corrections Corporations' contract.

Doctor R. Crants, the chairman of the Corrections Corporation of Nashville, the oldest and by the far the largest company in the business, said an open competition between the prison run by his concern and the two state institutions forced all three to find ways to reduce costs. The costs at other state prisons in Tennessee normally run more than \$40 per prisoner per day.

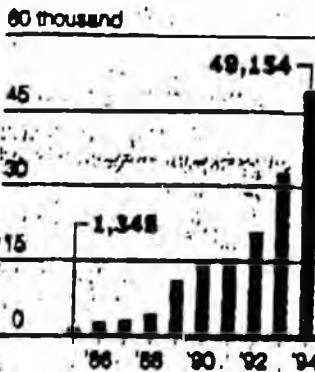
The Corrections Corporation, like other private companies, hires non-union guards, offering employees stock option programs rather than a pension plan. And some public officials point out that taxpayers may gain in the long run because private prison guards will not be on public pensions when they retire.

But Mr. Crants insists that the real secret to success for private prisons is in reducing labor costs by making prisons a better place in which to work. Up to 25 percent of

KEEPING COUNT

The Growth Of Private Prisons

Number of prison beds under private management available for occupancy or under construction



Source: Professor Charles Thomas, director of the Private Corrections Project at the University of Florida

state prison budgets go for overtime pay, he said, a result of guards' calling in sick.

"What this is all about is to make the corrections officer think he is coming to work in a nice place," Mr. Crants said. "So don't overcrowd the inmates, give them lots of programs to keep them busy and keep the walls painted and the grass green."

At South Central, Phillip Phillips, 25, serving a 10-year term for armed robbery, says the Corrections Corporation prison is the best of the half dozen where he has been spent time. "It's cleaner, you get more choice of food and the staff is more patient and willing to take time," he said as he mopped the floor.

Mr. Mitchell, the 21-year-old robber, would certainly back Mr. Phillips. To be near his brother, Mr. Mitchell requested a transfer this spring to North West Correctional Center, one of the state-run prisons studied.

The food in the private prison was better, Mr. Mitchell said gratefully, with a Pepsi machine and a salad bar in the food line. The Corrections Corporation counselors were more willing to talk with him, he said, and there were more jobs available to occupy otherwise idle days.

"If you ask me," Mr. Mitchell said in an interview, "I think all penitentiaries should be privately run."

Business

Privatizing America's Prisons, Slowly

Despite a checkered past, the future is looking brighter for the private prison industry.

By ANTHONY RAMIREZ

NASHVILLE

ERNEST ANDERSON, his biceps straining his blue prison fatigues, cocks back his shining bald head and smiles his gap-toothed smile as he talks about crime, punishment and private enterprise.

"I am a career criminal," Mr. Anderson said. Then, the 35-year-old convict goes on to describe the last decade of his life, years filled with gun play, drug dealing and struggling, often unsuccessfully, with what he calls "my anger problem." He has spent most of those years in prison, five different ones.

Mr. Anderson's story is more or less typical of repeat offenders, and seasoned criminals like him account for the majority of the million people locked up in state and Federal prisons today—five times the number two decades ago.

A typical American prisoner perhaps. But Mr. Anderson is one of a growing number of inmates who are being guarded, fed and put through rehabilitation programs run not by government, but by private companies.

So far, less than 2 percent of inmates are in such facilities and only 13 states, including Texas and Florida, allow private prisons. But this veteran consumer of prison ser-

vices sounds satisfied. "Until this facility, with this facility's programs, I have not been given the opportunity to turn my life around," Mr. Anderson said.

His current residence, the Metro-Davidson Detention Facility in Nashville, is managed by the Corrections Corporation of America, the largest company in the business of for-profit prisons.

The private-prison industry has no shortage of critics, from public-sector unions out to protect their jobs to civil liberties advocates who warn that company-run prisons are less accountable.

Private prisons are not new; they date back to colonial times. But by the 1950's, prisoner-abuse scandals at private operations led to the public administration of prisons. The private-prison movement revived in the early 1980's, but grew slowly for years.

But while the private-prison business has critics and a checkered past, its future seems bright. True, the \$33 billion crime bill that is stalled, for now, in Congress would have accelerated the industry's growth even more with over \$10 billion for prison construction, some of which would have gone to private prisons. Still, the industry's optimism remains unshaken, and it is explained mainly by a familiar, if dreary, litany: the unchecked national problems of crime, and overcrowded state and Federal prisons. The need to control Government spending makes privately managed prisons look increasingly attractive.

A Better Image, Too

The reputation of the \$250



Alan S. Weller for The New York Times

Doctor R. Crants, chairman of Corrections Corporation, in his company's Nashville prison.

million-a-year private prison business has also improved lately. The industry is still small, with nearly a score of little companies in the field. But the two largest companies, Corrections Corporation of

America and Wackenhut Corrections Corporation, which went public last month, hold more than half of the private-prison population. Policy experts say these companies manage a wide range of facilities,



Alan S. Weiner for The New York Times

Ernest Anderson, left, and Broderick Smith, who says the prison "ain't no Holiday Inn."

and are developing innovative drug-rehabilitation, educational and job-training programs.

Leading the industry's surge is the Corrections Corporation of America, based in Nashville. Its 23 prisons under contract in seven states house about a third of the prisoners in the United States who are now held in private prisons. Last year, the company's profits rose 57 percent to \$4 million on revenues of \$100 million.

This year, Corrections Corporation's income rose 30 percent during the first half, and analysts predict further growth. Over the next two years, the company's 13,000 beds under contract should increase by 85 percent and profits should more than double, said William Oliver, an analyst at Equitable Securities in Nashville. Corrections Corporation's share price more

than doubled in the last year, closing Friday at \$15.75.

Equally impressive, the company has been able to win over some former critics with its ability to both cut costs and offer ample prison services. Policy analysts and prisoner advocates worry that private contractors like Corrections Corporation will run bare-bones prisons to maximize profits. After all, they reasoned, private operators are paid a per-day fee for each prisoner.

So far, however, these experts say that Corrections Corporation has surprised them and prompted them to rethink at least the Nashville company's version of prison privatization. William C. La Rowe, director of the Texas Center for Correctional Services, a prisoners' rights group, says he was once an opponent of prison privatization and of Corrections Corpora-

tion. But Mr. La Rowe, who has made unannounced visits to Texas prisons for years, likes what he has seen.

"At Corrections Corporation prisons you don't have the atmosphere of impending violence that you have in a state prison," Mr. La Rowe said. "If Corrections Corporation ran more prisons, I am sure you'd see an increase in savings and a decrease in violence."

Even prison experts who remain skeptical about privatization in general seem impressed by Corrections Corporation. "Not everybody is Corrections Corporation," said John J. DiIulio Jr., a professor at Princeton University. "I'm worried about the fly-by-night companies."

The praise is welcome indeed to Doctor R. Crants, the 49-year-old, white-haired chairman and chief executive of Corrections Corporation, who led the often difficult

struggle to build the business.

A West Point graduate, Mr. Crants founded Corrections Corporation in 1983 along with Thomas W. Beasley, an insurance executive, and T. Don Hutto, a former Virginia corrections commissioner. Mr. Beasley, the former chairman, is now a director of the firm, and Mr. Hutto is international projects manager, including prison ventures in Australia and Britain.

Its founders and financial backers wanted to bring prisons into the wider movement to "privatize" services that were once the exclusive province of government, including public schools, mass transit systems and municipal hospitals. In fact, Corrections Corporation got some of its venture capital from the Massey Burch Investment Group, which also backed HCA Hospital Corporation of America, the nation's largest for-profit op-

erator of hospitals.

But for years, Corrections Corporation seemed to falter. It underestimated the political resistance to the concept of private prisons, and time needed to create a profitable business. Overreaching, it failed in an ambitious bid to persuade the Tennessee legislature to let the company run the entire state prison system in the mid-1980's. The company went public in 1986 with high hopes, but it did not report a yearly profit until 1989. It lost money again in 1991, recovering steadily thereafter.

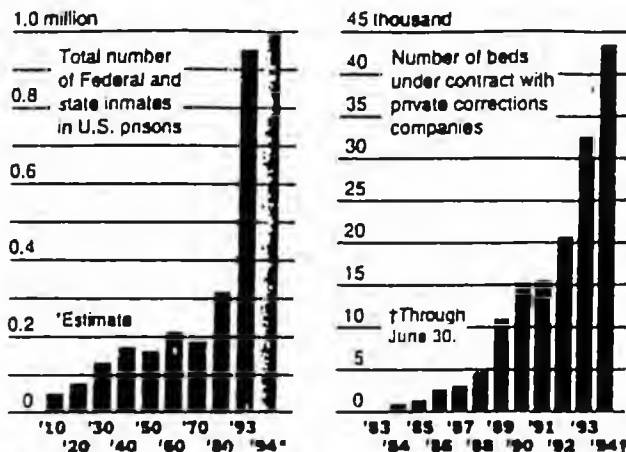
Today, however, Mr. Crants sounds confident that Corrections Corporation has fine-tuned its private-prison formula. The company's biggest customers are the United States Marshals Service, which is responsible for Federal prisoners up to their sentencing, and the prison systems of Texas, Tennessee and Louisiana. If the door to private prisons should open nationally, Mr. Crants says, his company is ready to expand.

Perhaps, but Corrections Corporation's growth and profits depend on the company being able to run prisons less expensively than states or the Federal Government. In Texas, for example, where it runs four prisons, the company's contract specifies that it manage prisons for 10 percent less than those of the state.

Corrections Corporation does own 9 of the 25 prisons it manages or is now building, but in each case the company constructed these smaller operations as a condition of its contract. In short, Corrections Corporation does not risk its money in the construction business. Its profit depends on managing its prisons so that its costs are less than the contracted "per diem" fee it receives for each prisoner. Every contract varies, but last year the company collected just

More Inmates, More Private Prisons

As the American prison population rises sharply, some states have turned to private companies to operate and manage prisons to curb costs.



Sources: Corrections Corporation of America; Charles W. Thomas/University of Florida at Gainesville

The New York Times

under \$40 a day on average for each prisoner.

How does Corrections Corporation cut costs? It pays the prevailing wage in the states where it operates, but its prisons are not unionized. The company offers its 2,300 employees a stock-option program, but it does not have a pension plan. According to union officials, pension costs can add up to 15 percent of compensation costs for public-sector prison workers.

The no-pensions approach saves some, but Corrections Corporation executives and wardens insist that the far larger gains come from changing the unhealthy environment found in so many prisons. Part of the formula is to keep potentially quarrelsome prisoners like Mr. Anderson at Metro-Davidson so busy with drug rehabilitation, recreational and educational programs that trouble will not tempt them. These prisoner programs add to costs at the outset, but company officials believe they more than pay for themselves, though the savings are hard to measure.

It is a truism that there are no perfect days in prison. Yet anything that makes prisoners

less dissatisfied reduces the tension between the inmates and prison staff, making costly disturbances less likely. That means attention to detail and quality control in basic services like food and mail delivery to inmates, and communicating regularly with prisoners.

"In this environment, little problems become big monsters real fast," said Jimmy Turner, warden of Metro-Davidson.

"In a state prison," Mr. Turner continued, "if a prisoner said, 'I'm going to tear this cell up if you don't talk to me.' Well, the attitude of the state employee was, 'Go ahead and tear it up. We'll repair that \$1,000 commode, but you're not going to threaten us to talk to you.'"

Mr. Turner paused. "I can tell you right now, as a shareholder in this company, if an inmate wants to talk to me, he can talk to me."

IN the prison environment, small changes can make a big difference. David Myers, who is now the company's president, was warden at Bay County Jail, a Panama City, Fla., operation taken over by Corrections Corporation in 1985 after a series

of disturbances. Once there, Mr. Myers found that the prisoners' breakfast consisted of a hard-boiled egg and a stale piece of bread. He ordered the fare changed the next day to scrambled eggs and bacon. The new breakfast menu helped calm the inmates, and disturbances subsided.

The real day-to-day savings from easing the inmate-staff tension in prison life come from reducing labor costs, which represent up to two-thirds of the cost of running a prison. Though salaries vary widely state by state, corrections officers are not highly paid, with a typical salary estimated at \$20,000 or less. But it is a high-stress job, with notoriously high levels of absenteeism, or "blue flu."

That adds to overtime costs, swelling the expense of running a prison. If, for example, one corrections officer calls in sick, he is still paid \$10 an hour for his day. But his absence may well mean two other officers have to fill in, working eight hours of straight time and four hours each being paid at time and a half. The salary for those three that day becomes \$360, or a 50 percent increase because one person called in sick.

Stress is hard to measure, but it also leads to costly staff turnover and can lead to prison-yard troubles.

"A better work environment means you are less likely to have tired, short-tempered, confrontational people who become violent," said Mr. Crants, the company chairman. "And I am talking about the guards."

And spending more at the outset might save money in the long run. For example, the company buys costly \$40 chairs made from hard-to-destroy plastic. In a state-run prison, wardens might be required to buy cheaper wooden chairs or benches.

Cheaper might even be more dangerous. In Texas, prisoners would shatter wooden benches into four-foot-long planks with rusty nails.

The ideal situation for Corrections Corporation is when it can help design and build a prison from scratch as it did with Metro-Davidson, an \$18 million, nearly 900-bed facility that opened in February 1992. The prison holds locally sentenced felons serving one to six years.

THE prison employs a "wheel-and-spoke design," where one or two corrections officers in an electronic command post constantly monitor prison cells circled around the post. The arrangement reduces blind spots, company officials say.

"What you want to avoid is the telephone-pole design," said Robert Britton, vice-president for operations. "That's the long, traditional cell block you see in old Jimmy Cagney movies. You can't see. It isn't secure for guards or prisoners."

To keep inmates busy and to prepare them for life after prison, Metro-Davidson has an unusually large number of educational and rehabilitation programs for an operation in which the average stay is 12 months. Inmates not only can get a high-school equivalency degree, but also attend programs that teach marketable skills like computer data processing.

An especially innovative program, called Lifeline, is a six-month drug rehabilitation and psychological counseling program designed to bring brooding loners out of their self-destructive cycle of drug addiction and anger. The program, developed by Corrections Corporation, was not a requirement of the state contract.

Yet the company says there is room for improvement — and cost savings—at state

prisons it takes over but had no hand in designing.

The Winn Correctional Center in Winn Parish, La., is an example. It is a classic Jimmy Cagney prison out in the middle of rural nowhere. When Corrections Corporation took over management of the 1,300-bed facility in 1990, it became the first privately operated medium-security prison in the United States.

Small things tell. At the commissary, where prisoners can buy personal items like candy bars, the store once opened onto a long corridor. A guard had to stand there and observe the prisoners. By caging the commissary, a guard could now roam the corridor, enhancing security.

Perhaps the biggest innovation at Winn is the continuing experimentation with programs to try to give prisoners marketable skills. Besides the usual computer and "culinary arts" classes, Corrections Corporation is starting a 60-worker garment factory using standard single- and double-needled tailoring machines to make disposable hazardous waste suits. "These are real skills," said Michael Phillips, assistant warden.

The prisoners show a qualified enthusiasm for the job training. Ricky Temple, 36, is serving a 40-year sentence at Winn for rape and forcible assault. Mr. Temple says he has already learned some things in prison, like "how to be a better burglar, a better bank robber." But, he added, "I want to have a legitimate skill when I get out."

Other inmates, however, are impressed by other advantages that they say the Corrections Corporation prison seems to offer.

"You don't have to sleep with one eye open here," said Jesse Howard, 37, who is serving a 30-year sentence for armed robbery. "You don't

have to carry two or three knives with you because the guards are always looking at everybody." ■

ALASKA FEDERATION OF NATIVES, INC.

1577 C Street, Suite 201, Anchorage, Alaska 99501
907-274-3611 - Fax 907-276-7989

February 28, 1996

The Honorable Richard Foster
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99811-1182

Post-it® Fax Note	7671	Date	n of pages ▶
To	<i>Sen. Blossigrve</i>	From	<i>Julie Kitka</i>
Co./Dept.		Co.	
Phone #		Phone #	
Fax #		Fax #	

Dear Rep. Foster:

Thank you for the time to allow the AFN the opportunity to comment on HB 428.

The Alaska Federation of Natives Board of Directors at their regular meeting in Juneau on February 12-13, 1996, voted to oppose the 1,000 bed correctional facility being proposed this session by Rep. Eldon Mulder of Anchorage.

The Board also stated in their motion that they fully support the concept of regional correctional facilities, with future opportunities for participation in the privatization of those facilities being extended to Native corporations, Native associations, and Native communities.

As you probably know, almost half of the inmate population consists of Alaska Natives. For that and other reasons, we oppose HB 428, and hope this legislature will support regional facilities instead.

Sincerely,

Julie Kitka
Julie Kitka, President



Kenai Natives Association, Inc.

215 Fidalgo St., Suite 203

Tangent Building

Kenai, Alaska 99611

January 24, 1996

Governor Tony Knowles
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Re: Privatization Concept for Corrections

Dear Governor Knowles,

This letter will advise of the intention of the Kenai Natives Association, Inc. (KNA) to explore the possibility of constructing and operating a private correctional facility on KNA lands adjacent to the existing Wildwood Correctional Center, and leasing it to the State. We would like to work with your office, the Department of Corrections, and the Legislature to study and develop a plan to address inmate overcrowding that exists throughout the State's correctional system. Naturally, we are very concerned with Native issues that are involved.

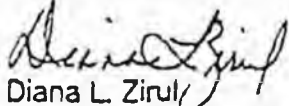
KNA has a previous track record with the State of Alaska, having served as landlord to the State at the Wildwood Correctional Center from 1983 until the State exercised its option to purchase the facility in 1992. During that time we enjoyed an excellent rapport with the Department of Corrections, and believe that relationship could continue in the best interests of all concerned. We have been a strong supporter of the correction's industry, and would hope that KNA would be given serious consideration should the State determine to pursue any agreement with a third party private entity to provide correctional services.

We are in the early stages of fact gathering, and it is likely that feasibility studies will be necessary to determine the exact nature of our anticipated involvement. However, KNA wanted to let you know of our interest and to request that we be kept advised of any significant event involving planning for the Department of Corrections that would impact our potential involvement.

Thank you for your continued support of Native involvement in the government, and for giving KNA consideration and support as a participant in our effort to explore how we might be able to assist the Department of Corrections with the inmate overcrowding and budget issues. Please advise if I can be of further assistance in this matter.

Sincerely,

KENAI NATIVES ASSOCIATION, INC.


Diana L. Zirul
President

DLZ:pa

cc: Margaret Pugh, Commissioner, Dep't. of Corrections
Brian Porter, Chairman, House Judiciary Committee
Mark Hanley, Co-Chairman, House Finance Committee

KONIAG, INC.

• 4300 B Street, Suite 407, Anchorage, AK 99503

(907) 567-2688 • Fax (907) 562-5258 •

February 22, 1996

Representative Eldon Mulder
Alaska State Legislature
House of Representatives
Room 411
State Capitol
Juneau, Alaska 99801

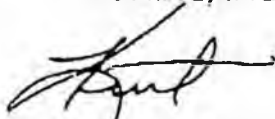
Dear Representative Mulder:

We would like to formally express our support of HB 428, Prison Privatization.

History has proven that privately run facilities can be operated significantly more efficiently than public-run facilities, typically with operational cost savings of up to 35%. This has been done through the use of both larger and more centrally located facilities coupled with the basic efficiencies found in privately run organizations when compared to bureaucratically controlled operations.

Best wishes in your progress on this bill.

Sincerely,
KONIAG, INC.



Kurt E. Martens
Vice President, Finance and Controller

cc: Uwe Gross, Chief Executive Officer
Charles Pemberton, Vice President / Acting President

FEB-22-1996 14:37

A.S.R.C. HEADQUARTERS

907 852 5733 P. 02

Corporate Headquarters • P.O. Box 100 • Barrow - Alaska • 99723-0100 • (907) 852-8531 or (907) 852-8833 • FAX (907) 852-5733



February 9, 1996

The Honorable Tony Knowles
Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811

Dear Governor Knowles:

I would like to take this opportunity to thank you for the leadership you have provided at a time when everyone in Alaska needs to realize that the "budget gap" is real. Having reviewed the Long Range Financial Planning Commission's report, I realize that a careful and balanced solution is necessary. Although I do not agree entirely with all the proposed solutions, such as the reduction in the Permanent Fund distribution or institution of a personal income tax, the Commission's recommendations have gone a long way in finding workable solutions.

As a founder and manager of a private business in this state, I think that some of the solutions to the budget gap can be found in privatization of governmental services. One area that should be explored is prison facilities. There are currently two pieces of legislation that address, in part, a private solution to prison facilities-- HB 428 and 429. I would urge your support for these bills.

With a demonstrated need for prison facilities and a limited capital budget, it makes real sense for the State of Alaska to partner with the private sector to find a practical solution to a long standing problem. The development and construction can be totally financed privately and the State can contract with the private sector to house prisoners in Alaska rather than thousands of miles away in another state. As a company in the design, construction and facility management business, we would be very interested in considering any such opportunity in the future. I know there are many other private businesses in Alaska that would also support privatization of prison facilities.

Your support of this legislation to provide an opportunity for Alaskan businesses, while helping to mitigate the State's budget problems and meet a serious need in this State, would be greatly appreciated.

Sincerely Yours,

Jacob Adams
Chairman & President



P.O. Box 46
Kotzebue, Alaska 99752

City Hall
442-3401

Police Dept.
442-3351

Fire Dept.
442-3404

Public Works
442-3401

TESTIMONY OF MIKE SCOTT
KOTZEBUE CITY MANAGER
2-22-96
HCS FOR HB 428 (FIN)

THANK YOU MR. CHAIRMAN FOR THE OPPORTUNITY TO PROVIDE WRITTEN TESTIMONY TO THE COMMITTEE ON HCS FOR HB 428 (FIN). ALLOWING THE DEPARTMENT OF CORRECTIONS TO PRIVATIZE BOTH THE CAPITAL ASSET AND OPERATION OF A STATE JAIL IS A WORTHY PROPOSAL. IN FACT, STATE GOVERNMENT HAS BEEN ENGAGED IN PRIVATIZATION OF PUBLIC-USE FACILITIES FOR A NUMBER OF YEARS FROM OFFICE SPACE TO HOUSING. FRANKLY, THIS BILL WOULD PROVIDE THE STATE EXECUTIVE WITH ANOTHER MEANS TO MEET A CRUSHING PROBLEM.

AS A CITY MANAGER WHO HAS OVERSEEN THE OPERATION OF AN OVERCROWDED REGIONAL JAIL FOR SEVERAL YEARS, I APPRECIATE ANY ATTEMPT TO ALLEVIATE THE PRISON CAPACITY PROBLEM IN ALASKA.

HOWEVER, NOT ONLY SHOULD WE BE LOOKING AT A PRIVATELY-FINANCED, STATE(AIDEA) ASSISTED PROJECT TIED TOGETHER WITH AN OPERATIONS CONTRACT TO REPAY DEBT SERVICE, FUND OPERATIONS AND PROVIDE A MODEST PROFIT IN SOUTHCENTRAL, WE SHOULD ALSO SEEK TO INCREASE REGIONAL CAPACITY STATEWIDE. WITHOUT DOING SO, WE HAVE ONLY ADDRESSED A PART OF THE JAIL CAPACITY PROBLEM IN THE STATE.

AS A HOLDING AND PRE-TRIAL FACILITY FIRST, KOTZEBUE REGIONAL JAIL'S OVERCROWDING WOULD NOT BE ELIMINATED WITH EITHER A NEW,

LARGE SOUTHCENTRAL FACILITY OR A HALFWAY HOUSE. WHILE A HALFWAY HOUSE COULD PROVE USEFUL, IN RURAL ALASKA, THAT IS SIMPLY A LUXURY THE STATE COULDN'T AFFORD TO SUPPORT OVER THE LONG TERM.

CURRENTLY THE CITY OF KOTZEBUE PROVIDES THE STATE WITH A CONTRACT RATE OF \$84.00 PER DAY PER INMATE. KOTZEBUE PROVIDES COST-EFFECTIVE SERVICES ON AN ADJUSTED BASIS FOR 15% LESS THAN THE ARIZONA PRIVATE FACILITY USED BY THE STATE.

CONSEQUENTLY, IF ALLOWED, THE CITY OF KOTZEBUE PROPOSES TO FINANCE IT'S JAIL ADDITION (TO INCREASE CAPACITY TO EASE THE CHRONIC OVERCROWDING SITUATION) OF \$1.5 MILLION THROUGH AIDEA PROVIDED THE DEPARTMENT OF CORRECTIONS AMENDS OUR EXISTING CONTRACT FOR THE ADDITIONAL BEDS AND DEBT SERVICE. WE WON'T ASK FOR ANY PROFIT ALTHOUGH WE MIGHT DESERVE IT!

IN SUMMARY, INCLUDE A MEANS FOR SMALLER, REGIONAL FACILITIES LIKE KOTZEBUE WHO ALREADY MEET THE ALL OF THE OTHER GOALS OF HCS FOR HB 428 (FIN). THANK YOU MR. CHAIRMAN.

**Municipality
of
Anchorage**



P.O. Box 196650
Anchorage, Alaska 99519-0650
Telephone: (907) 343-4431
Fax: (907) 343-4499

Rick Mystrom, Mayor

OFFICE OF THE MAYOR

January 23, 1996

Representative Eldon Mulder
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Dear Eldon:

As you know, the State of Alaska has a significant shortage of jail space. The Department of Corrections is facing sizable fines for overcrowding and several hundred prisoners have been sent to Outside facilities to help alleviate the problem.

Privatization of corrections facilities is a possible solution to prison overcrowding that should not be ruled out. We support your efforts through House Bills 428 and 429 to put this issue on the table and enable the State to consider it as an alternative.

The Municipality of Anchorage is willing to work in partnership with the State to facilitate construction of a new prison. We may be able to assist as a conduit for financing of the project or help locate a suitable site. We are also willing to help encourage community support of the project.

Thank you for addressing this issue and I look forward to working in partnership with the State to solve the problem.

Sincerely,

Rick Mystrom
Mayor

EXCERPTS OF TESTIMONY

LEGISLATIVE TELECONFERENCE 1/31/96 and 2/2/96

RE: HB428 AND HB429

DAY 1

(Tape 1, R2360, 3:20 p.m.)

CHAIRMAN PORTER: Phil, come on up. A parson who needs to get back to Anchorage.

Phil, could we have your name and affiliation and your testimony, please.

TESTIMONY OF PHIL THINGSTED

THINGSTED: Mr. Chairman, Committee Members, my name is Phil Thingsted. I'm Business Manager for the Carpenters Union, and I am speaking for a majority of the Western Alaska Building Trades today.

I, too, was raised in Detroit and I understand where he is coming from, and I wouldn't want to have anything to do with the prisons. And if you are only paying them \$13 an hour to start out with, they are way underpaid, anyway. So this testimony may not mean a whole lot.

But I'm here for the majority of the Western Alaska Building Trades, in support for 428 and 429, given the following things.

First of all, that under a level playing field, if the State truly can save money -- now, obviously its hands appear to be tied -- but under a level playing field, if the State can truly save money, then we support it.

Also, under the fact that if it is truly Alaskan hire for these other individuals, not like the oil companies where, contrary to many beliefs, they still fly people over the State of Alaska to go to work. Corrections has a similar situation, in that from what I understand, there are many times that they are a week on, a week

Excerpt of Testimony
Legislative Teleconference of 1/31/96 and 2/2/96
Re HB428 and HB429

1 off, two weeks on and two weeks off -- an ideal situation for
2 someone like GCA or Wackenhut, to fly people over the State of
3 Alaska, not guaranteeing jobs.

4 If those two things can be guaranteed -- and it certainly
5 is our understanding in the Building Trades -- that this does not
6 displace any current Correctional Officers, then we support 428 and
7 429.

8 That's all the time I'll take, and thank you very much
9 for allowing me to testify.

10 CHAIRMAN PORTER: Thank you, Phil.

11 Representative Finkelstein?

12 REP. FINKELSTEIN: Thank you, Mr. Chairman.

13 Would you have any objections -- we hadn't really talked
14 about the other alternative, which is status quo; there are plans
15 afoot for renovation of a variety of facilities, some with complete
16 rebuilding and some construction in facilities and possibly a whole
17 new traditional -- a whole new jail in Anchorage. Would you have
18 any objection to that alternative?

19 I mean, it seems maybe I can understand your support for
20 some of the options out there, but that doesn't indicate your
21 opposition to the other alternatives, does it?

22 THINGSTED: Chairman Porter, Representative
23 Finkelstein, no it does not -- we're not against other alternatives
24 to be explored. However -- and I'm not speaking, incidentally,
25 always for myself; I'm speaking for a number of other people, in
26 trying to bring their voices to the table here, another private
27 sector, construction unions, and especially some of the smaller
28 ones, Representative Finkelstein.

29 You heard Representative Mulder talk here today, that
30 \$100 million pretty much takes care of the capital budget and
31 nobody here blinked. I remember it wasn't too long ago, many of
32 you came to me asking for support, "We're going to look for a

Excerpt of Testimony
Legislative Teleconference of 1/31/96 and 2/2/96
Re HB428 and HB429.

1 stable \$300 million capital budget." As the operating budget
 2 continues to grow, the capital budget continues to shrink. And
 3 eventually, if the operating budget gets too big, there won't be a
 4 capital budget and you won't have to listen to me because I won't
 5 have any people left to represent. It stops. Capital budgets are
 6 traditionally for infrastructure; i.e., roads, and things like
 7 that, water, sewer. As infrastructure grows, it brings in new
 8 business, too, into the private sector. That may be a bad word to
 9 some of these people, but many of us live within that private
 10 sector.

11 As one -- and this is (unintelligible) take my word, but
 12 I was told to mention this, that if -- if that grows too big on the
 13 one hand, this one shrinks to nothing. There will be no private
 14 sector in the construction industry, so to speak, only a mom-and-
 15 pop's operation.

16 REP. FINKELSTEIN: Sure, I just thought that would
 17 be -- the situation with the Corrections System is different than
 18 other items in the capital budget. No. 1, it is very, very prone
 19 to bonding. Okay? It is not an uncommon thing at all for the
 20 system to do. And No. 2, we are under Court Order, you know. How
 21 many other places do we have to deal with court decisions that
 22 direct how we are going to manage these monies? We have little or
 23 no choice, and I believe these expenditures are going to occur in
 24 one form or another. It may be this route or it may be other
 25 routes, but in any event there is going to be construction going
 26 on, on prison facilities in the state. And, hopefully, it will
 27 help us with Alaska employees.

28 THINGSTED: Chairman Porter, Representative
 29 Finkelstein, I certainly that that's the case. And I'm not opposed
 30 to other alternatives.

31 REP. FINKELSTEIN: Thank you.

32 THINGSTED: It's survival.

Excerpt of Testimony
 Legislative Teleconference of 1/31/96 and 2/2/96
 Re HB428 and HB429

EB 01'96 11112 PK HSEH/HPSLME LV DE JST LIT 0200 TO HSEH/HPSLME

- 1 CHAIRMAN PORTER: Thank you, Phil.
- 2 (end of excerpt/bhc)

Excerpt of Testimony
Legislative Teleconference of 1/31/96 and 2/2/96
Re NB420 and NB429

Delta/Greely Community Coalition

P.O. Box 780

Delta Junction, Alaska 99737

Delta Junction City Council
Delta/Greely School District
Chamber of Commerce
Delta Community Corporation
Delta Chapter, Farm Bureau
Retired Military/Civilian Representative
Civil Service Representative



Cleeta P. Barger, President
Tel: 907-895-1081
FAX: 895-4219
Ray Woodruff, Vice-Pres.
Charles Forck, Sec/Treas

January 30, 1996

Representative Eldon Mulder
Room 411
State Capitol
Juneau, Alaska 99811

Dear Representative Mulder,

Attached is a copy of a letter sent to Margaret Pugh, Commissioner of Corrections. We would appreciate your support for our proposal. As we stated in the attached letter, we think that we can solve many problems for the State at a reasonable cost and provide for our economic recovery from the loss of 400 jobs and \$20,000,000 from our economy from the Fort Greely realignment.

We would also appreciate your comments and thoughts about the feasibility of support from the legislature in this matter.

Sincerely,

Cleeta Barger, President

Delta/Greely Community Coalition

P.O. Box 780

Delta Junction, Alaska 99737

Delta Junction City Council
Delta/Greely School District
Delta Chamber of Commerce
Delta Community Corporation
Delta Chapter, Farm Bureau

Cleeta P. Barger, President
Tel: 907-895-4142
FAX: 895-4506
Ray Woodruff, Vice-Pres.
Charles Forck, Sec/Treas



January 30, 1996

Commissioner Margaret Pugh
Department of Corrections
P.O. Box 112000
Juneau, Alaska 99811-2000

Dear Commissioner Pugh,

The Delta/Greely Community Coalition is eager to investigate the possibility of establishing a prison as part of our economic recovery program from the BRAC realignment of Fort Greely. We know the State of Alaska has a requirement for approximately 1000 more bed spaces than they currently have. We know that the Court system is creating problems for the Department of Corrections and that one method of solving the overcrowding problem is to send the prisoners to Arizona at a high cost. We also know that another and most undesirable method is to release prisoners.

Fort Greely can provide most of the facilities and infrastructure to house well over 1000 prisoners after the realignment occurs. We would like to discuss with you or your representative the possibility and methods of establishing a prison on lands which will become available for economic recovery after the realignment of Fort Greely. This would enhance our community and provide many jobs to replace the jobs lost from the realignment while saving the State some significant costs.

We think that both the State of Alaska and our community can benefit from a project to solve problems which the State and the Delta community are encountering. All we need to do is work together.

We would appreciate hearing from you in the near future.

Sincerely,

Cleeta Barger, President

cc: Governor Knowles
Senator Lincoln
Representative Kubina



MEMORANDUM

TO: Rep. Eldon Mulder
Dennis DeWitt

DATE: February 1, 1996

FROM: Jeff Spoon, VP-Development

DIV: Business Development

SUBJECT: WCC Responses To Organized Labor Testimonies During 1-31-96 HB-428
TeleConference

Thankyou for the opportunity to make a brief statement during your recent TeleConference. Regrettably, being first, and intentionally taking the "High Road," allowed the various organized labor representatives to record numerous inaccuracies and falsehoods. To not confuse the sponsorship of your Bill with additional controversial testimony, but to offer some information that may assist in its future defense, I am forwarding the following for your review.

1. Nationally, privately managed correctional facilities have significantly lower incidents of escapes and assaults than do their host agencies.
2. There are no privately managed correctional facilities under court supervision while most states, and large local jurisdictions, have serious consent decrees AND ongoing court monitoring.
3. There is a significantly higher percentage of privately managed correctional facilities that have been ACA and NCCHC accredited than in the public sector. Our insurance rates and legal fees reflect this perception of reduced exposure.
4. Numerous states have legislated and recorded 10-20% savings in annual operating costs when comparing privately managed to publicly operated similar facilities in each system. These results are documented in Texas, Louisiana, Florida and California.

5. If higher pay and more expensive benefit packages guaranteed better performance and more efficient operations then:

- a. All Alaska Legislators would be competitively compensated with NFL Super Stars.
- or
- b. The Alaska Legislature would be under court supervision due to gross incompetence.

The ridiculousness of the forgoing supposition is that in order to win a contract, and earn a profit, the private vendor must offer a competitive wage and benefits package that guarantees a stable professional work force. The economic employment marketplace will tell us what that formula will be; not a labor contract that dictates post assignments and lifetime employment.

6. Public sector correctional staff vacancies typically are not the result of low pay, dangerous working environments and/or budgetary personnel shortfalls. Those vacancies are a result of civil service systems that reward longevity rather than performance, have bureaucratic recruitment and training divisions that are not responsive to the needs of the agency they are supposed to serve, have screening criteria and selection juggernauts that alienate and frustrate otherwise qualified and competent job applicants and that make job assignments and vacancy savings a budgetary issue rather than a professional needs assessment. Sixty percent of a public corrections facility's annual budget (Personnel) receives only ten percent of the staff's attention.

7. No private corrections company can afford to "fly employees from out-of-state" to work in Alaska. This labor testimonial does suggest recognition of the possibility that a for-profit company would find LARGE financial savings, and WILLING job applicants, if it went outside the existing correctional job market and its established wage scale. An interesting admission, but an implausible business strategy.

8. Wackenhut always receives 4 times, or more, the number of applicants than available jobs when opening new contract sites. Our wage and benefits packages have never prevented us from recruiting, training, fielding, retaining and promoting a professional work force. Our current operations are our best marketing tools. If we had high staff turnover or less-than-capable employees we would not be able to stay in business nor would we receive high recommendations from our clients or ACA / NCCHC accreditations.

9. If private enterprise somehow placed public safety in jeopardy then Wackenhut's contracts to provide security of the Alaskan Pipeline, Strategic Petroleum Reserves, Foreign US Embassies, Nuclear Power Plants, US Army Munitions Manufacturing and Storage Plants, numerous major US Airports and Mass Transit Systems would place millions of citizens in daily peril. Wackenhut is the largest provider of contract security to the US Government!

10. If Wackenhut's past contract performance was as poor as the labor spokesperson falsely reported then our corporate revenues, contracts retention and new contract signings would not be at the record pace reported quarterly to our stockholders and the SEC. Our business is one of the few things that is growing faster than the US's incarcerated population.

11. Contrary to the uninformed testimony of the ADOC's Sergeant, Wackenhut would be pleased to manage an intake (booking) facility, pre-trial detainees, maximum security inmates, female prisoners, youthful offenders, special needs populations, perform interstate and intrastate transportation, provide comprehensive medical care AND design, finance, construct and manage those facilities and inmate populations for significantly less than the State's average cost of \$105 per day. A quick review of our current corrections contracts will reveal that those services, the Sergeant stated we would be unwilling to perform, are exactly what we do provide elsewhere. What we refuse to provide are overcrowded, poorly managed, prisoner warehouses. We will not accept contractual terms that will predictably put us under court supervision or generate legitimate prisoner Civil Rights litigation.

12. Wackenhut, nor any of its reputable competitors, are self-insured nor is our insurance placed with small unknown carriers. Our property and liability insurance is through AIG (the largest and one of the oldest in the world). Most contracts require us to maintain between \$10 and \$20 million liability policies in effect for each contract site. Nevada just issued an RFP that requires \$50 million liability insurance for a 400-bed adult female maximum security facility to be located in Las Vegas. None of these contracts allow self-insurance nor less than A-rated insurers.

13. Labor consistently testified that Profit contradicts Quality of Service. Wackenhut finds that supposition incredibly ignorant of our nation's economic foundation. Our government clients, insurers, stockholders, corporate executives, contract monitors, employees and inmates believe that profitability (economic success) is directly proportional to quality of service. Our 40+ year corporate history, economic fortunes and reputation for quality security services have yielded a corporate motto "Professionalism with Integrity." Our ability to provide better public services to our government clients, for less cost than they have become accustomed, and realize corporate profits as a result of our performance, cannot possibly be viewed as a taxpayer disadvantage or unfair corporate advantage.

14. Every example of contractual malfeasance by private corrections companies that was offered by labor representatives during their testimonies grossly misrepresented the case-by-case facts and inaccurately reported existing data. Wackenhut has letters of recommendation and support from each of our past and present clients. We certainly have suffered our employee errors and embarrassing incidents. None of those have resulted in contractual sanctions, penalties or cancellations.

15. In every jurisdiction, where our services have been engaged, the public sector's performance has improved, as a natural result of friendly professional competition. We have typically become a training component for government client personnel who are unfamiliar with modern program provision. We take on the challenge of special needs inmate populations who have historically been under served due to limited public sector resources. Our clients' Contract Monitors become our greatest advocates because they observe daily the advantage we offer in the resolution of correctional challenges, operational difficulties and fiscal responsibility.



City of Eden

P. O. Box 915
Eden, Texas 76837

James C. "Jim" Schwann
City Correctional Contracts Administrator

December 27, 1995

Mr. Denny DeWitt
Alaska State Legislature
House of Representatives
Alaska State Capitol
Juneau, AK. 99801-1182

Dear Mr. DeWitt:

The City of Eden contracted with the Federal Bureau of Prisons (BOP) to house federal inmates in October, 1985, when privatization was in its infancy. We contracted with the Eden Detention Center, Inc. (Roy Burnes) to provide the facilities and management services.

Our Intergovernmental Agreement (IGA) with the BOP is a life-saver for our community and region. I was mayor at the time we negotiated our agreements and have served two terms in the interim. Currently, I serve as City Correctional Contracts Administrator, assigned all responsibility with BOP contracts and management service contracts.

As privatization matured and we added to our inmate population it became apparent that Eden Detention Center, Inc., did not have the resources to keep up with the demands of the industry. Mr. Burnes made the decision to sell. On behalf of the City it was my responsibility to research and make recommendations to the council for a new management company. In addition, I had to coordinate with Mr. Burnes in finding a buyer for the facilities and management company that would suit his financial needs and the City's best interest.

Of the top three private prison companies, *Corrections Corporation of America* was clearly my choice for the City of Eden. I researched all three management companies in depth before making a recommendation to the City or Mr. Burnes. In my opinion, Corrections Corporation of America experience, professionalism, resources, and community awareness are unmatched in the industry. CCA became our new management services provider on September 28, 1995. Since that time they have proven to be

Phone (915)869-8411

E-mail Address: rcshw@ccca.net

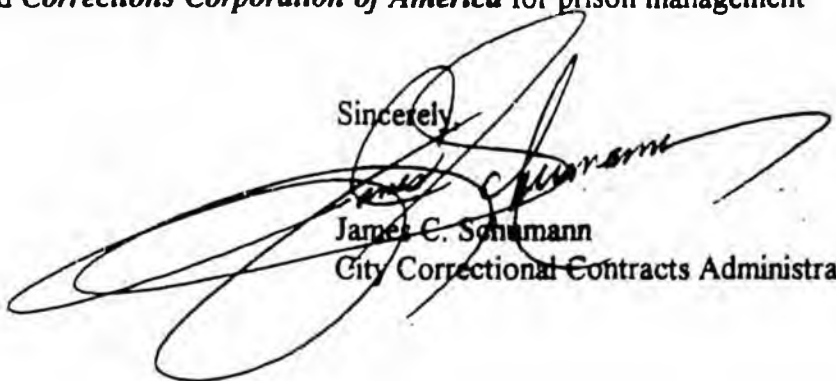
Fax (915)869-8610

Mr. Dewitt
December 27, 1995
Page 2

community and people-oriented, and it shows in community projects, employee enthusiasm and inmate morale.

I highly recommend *Corrections Corporation of America* for prison management services.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "James C. Schumann". The signature is written over the typed name and title.

James C. Schumann
City Correctional Contracts Administrator

Construction And Management Of Correction Facilities
For
The State Of Alaska.

HB 428/HB 429

Anchorage AK, January 31, 1996

My name is John Christensen and I am Chairman of Chugach Alaska Corporation, one of the thirteen Alaska Native Regional Corporations. At the table with me today is Roger Endell, a past Commissioner of Corrections for the State and now Education Services Manager at the Palmer Job Corps Center, which is managed by Chugach Development Corporation (CDC), Chugach Alaska's main operating subsidiary.

We are here today to speak in support of HB428 and HB429.

The Federal Government made the determination some years ago that in many areas, the private sector could provide the same quality of service as government agencies, but at lower cost. For example, Chugach has been awarded a number federal contracts to provide Base Operations Support services at military establishments including King Salmon AFB, Adak NAS, and Wake Island Army Base. Recently we have been awarded the contract to provide Base Operations Support services at one of the Navy's largest facilities on the West Coast, Whidbey Island NAS.

It is not just the military who look to the private sector for this type of service. We have contracts with the Department of Labor (for the management of the Alaska Job Corps Center), the Patent Office, the Department of Energy, and the Department of Transportation. The concept of moving from government operated services to private sector operations is accepted and proven. In the field of corrections, it has been reported that the five new prisons being built by the Federal Bureau of Prison will be managed by the private companies.

Chugach Alaska sees HB428 and HB429 as the first of many steps to be taken by the State of Alaska as we follow the lead of the Federal Government in reducing the cost of Government. During a time when the Administration is considering imposing new taxes on the people of Alaska, it is important that the State be seen to be exploring all possible ways of reducing cost. It is not just a new corrections facility that should be considered for privatization. The Administration and Legislature should examine the entire bureaucracy, to find areas or even whole departments that could be operated more efficiently by the private sector.

The only question that has to be asked is "Can the private sector provide the required standard of service at a lower cost?" To make this determination, all costs have to be considered, including capital and other costs that are often hidden. When all the information is available, we believe the citizens of Alaska will see, that in many cases, the private sector can provide equal or better services at lower cost.

As you are well aware, it is not only cost that is important, but skills and dedication. Chugach recognized this, and has been working very closely with Correction Corporation of America (CCA) to develop a first class team to design, finance, construct and operate new corrections facilities. The two companies make a very strong team. CCA has extensive experience and skills in the corrections industry, while Chugach has considerable experience in managing complex facilities and providing education services.

CHUGACH ALASKA CORPORATION

It is obvious that some State employees are not too happy with the concept of the private sector encroaching on their turf. I have read statements from state employees accusing the private sector of being anti-union, of sending profits out of state, of employing people who are unskilled and who lack the devotion to duty of the state employee.

It is necessary for me to set the record straight as far as Chugach is concerned, and to correct these deliberate misstatements.

First of all I would point out that Chugach is definitely not anti-union. Chugach has an excellent working relationship with the Laborers Union, with the Teamsters and with the Operating Engineers. All three unions have members working for Chugach subsidiaries, and they recognize, as do we, that to survive in this world, we all have to be competitive.

Secondly, it has been claimed that a private prison operator will take A'a'ka's money Outside. All profits earned by Chugach go to a Corporation wholly owned by Alaskan Natives. Many Chugach employees are Chugach shareholders. Others have spent their whole lives in Alaska. The award of a contract to Chugach will result in more Alaskans being employed.

As for dedication of service, it is hypocritical to suggest that people in the private sector do not have the same dedication as those in government service. The performance of Chugach employees working on federal contracts demonstrates the inaccuracies of those statements.

The final charge levied against the private sector by some state employees is that private companies do not have the necessary skills. I challenge them to fault the qualifications of the Chugach/CCA team.

As Roger Endell can tell you, the Job Corps Center in Palmer, was rated in the top five out of 111 Centers in the US. We are specialists in providing basic education and teaching work skills. We provide drug and substance abuse counseling, and we teach social and life skills to those who missed out on the normal educational opportunities. We also operate the medical and dental facilities at the center.

Chugach has received commendations from the Navy and the Air Force for the quality of its work at bases around the world. This work consists of maintaining isolated bases in inhospitable environments. We will operate and maintain correction facilities in a similar professional manner.

I will let our partners from CCA speak for themselves. However I do know that many CCA employees came into the private corrections industry after long careers in the public corrections industry.

In conclusion we believe all Alaskans will benefit if private companies are allowed to compete against State Agencies. The competitive market process will determine whether the private or public sector is best qualified to design build and operate a new correction facility for Alaska.

I urge you to support these bills.

Thank you.

CHUGACH ALASKA CORPORATION

ALASKA JOB CORPS CENTER MEMORANDUM

DATE: February 1, 1996

TO: Mike Williams
Business Advisor, Chugach Alaska Corporation

FROM: Roger Erdell, Manager, Educational Services
Alaska Job Corps Center, Phone: 746-8881

SUBJECT: Legislative Hearings, CS for HB 428 and 429

1. On January 31, several individuals testified during Judiciary Committee hearings on the above bill, that they believed it would be wise to expand existing state correctional centers rather than build a major new facility. Unfortunately perhaps, the expansion of existing state correctional centers would be a very expensive proposition. In fact, most of the infrastructures of existing facilities will not support expansion.

Simply adding on to existing correctional centers by adding a wing here or there is neither wise from a correctional management perspective, nor from an infrastructural perspective. Sewer, heating, ventilation, food service, library, classroom, shop and all other spaces have to be sized to handle expansion. For example, the sewer treatment plant at the Hiland Mountain/Meadow Creek complex near Eagle River is at maximum capacity; the Juneau, Cook Inlet Pretrial (Anchorage), Hiland Mountain, Palmer and Fairbanks correctional centers have already been previously expanded, Juneau and Fairbanks a couple different times. Further expansions at these sites will likely require totally new "stand alone" facilities in order to function safely.

Only the Spring Creek facility at Seward and the Palmer Pre-trial facility were designed for relatively easy expansion with utilities and layouts anticipating the doubling of population space.

2. Secondly, several individuals testified that they had strong doubts or concerns about whether the state correctional system should contract with the private sector for the provision of space and supervision for Alaska's criminal offender population. In fact, the state has a long history of such contracts.

The Alaska Department of Corrections currently has 455 prisoners held in-state under private sector contracts and 205 held out-of-state under private management services contracts.

Mike Williams
February 1, 1996
Page 2

The total of 660 Alaska prisoners now in privately operated space is not a new concept in Alaska, or elsewhere. The proposed legislation merely clarifies that larger facilities can also be utilized under contracts with private sector service providers.

3. A third and final point should be addressed. The largest single category of prisoners that continue to clog the Alaska correctional systems' chain of small local and regional jails is the male sentenced felony population. This is the group which must be targeted in order to unclog the entire system.

There are currently 1,501 sentenced male felons held in-state and 247 out-of-state for a total of 1,748 sentenced male felons. If even half of these prisoners were removed from the existing facilities where they now reside, the state correctional system would be uncrowded overnight! The local and regional jail facilities would then be able to manage unsentenced local misdemeanants and felons awaiting trial and local sentenced misdemeanants serving short sentences. Until the long-term sentenced male felon population is properly housed, there cannot be any viable solution to uncrowding the states' correctional system. The C.S. for HB 148 and 149 could provide a substantial step toward the correct solution.

428 429

ALASKA STATE AFL-CIO

2501 Commercial Drive · Anchorage, Alaska 99501 · 907-258-6284 · Fax 274-0570

MANO FREY
Executive President



BRUCE LUDWIG
Secretary / Treasurer

February 14, 1996

Representative Eldon Mulder
State of Alaska
P. O. Box V
Juneau, AK. 99811

Dear Representative Mulder:

Enclosed are copies of letters expressing opposition to CS for HB 428. The Central Labor Councils' represent all of the AFL-CIO affiliated unions in the largest communities in the state. The Western Alaska Building and Construction Trades represents the construction unions in the Anchorage area. I believe it is extremely significant that the Building Trades Unions, who would benefit from a Project Labor Agreement, would rise up in opposition to this Legislation. We hope that you will agree with us - the negative economic impact of privatizing this prison would create financial chaos for the Anchorage Area. The managers of this facility would certainly make a profit off the backs of the workers. I also cannot envision the counseling, cultural, or physical needs of the prisoners being adequately met by a corporation trying to maximize profits.

Eldon, the unions of this State, representing both private sector and public sector employees, are proud of the contributions that our members have made to help Alaska grow. We are not ashamed that our Collective Bargaining Agreements provide for fair wages, that they also include a benefits package that allows people to retire with dignity and not suffer financial hardship due to costly medical expenses. Unfortunately, you are willing to forsake the positive benefits of everything that our members have accomplished, for a short-term financial gain that will grow like a cancer and ruin not just the Anchorage economy, but that of the whole state. There are always unscrupulous employers willing to pay their employees less just so they can make a profit. We **DO NOT NEED** this attitude to be promulgated by the legislature. We hope that you see the wisdom of amending this legislation to utilize the public sector employees for the operation of the prison when it is built under the terms of a Project Labor Agreement.

Sincerely,

Mano Frey
Executive President



**WESTERN ALASKA BUILDING
& CONSTRUCTION TRADES COUNCIL
AFL-CIO**

South of the 63rd Parallel



February 13, 1996

Representative Eldon Mulder
716 W. 4th Avenue
Anchorage, AK 99501

RE: Prison Project

Dear Representative Mulder,

I am writing on behalf of the affiliates of the Western Alaska Building and Construction Trades Council of Anchorage, Alaska.

During our February 6, 1996 meeting, the following motion was unanimously accepted.

The Western Alaska Building and Construction Trades Council thanks Representative Mulder for inclusion of a Project Labor Agreement to build the proposed new prison. However, we oppose CS for HB 428 because of the plan to privatize the operations of the prison when constructed. If it makes good business sense for the Construction Unions to build the prison, it also makes good business sense for the state employee's unions to represent the workers once the prison is operational.

Please be advised that CS for HB 428(JUD) cannot be supported by the Western Alaska Building and Construction Trades Council. Any Project Labor Agreement must contain a 100% Union Project and encompass all Unions, including Public Employees Union.

We appreciate your efforts in this area. If you have any questions regarding this issue, please do not hesitate to call on us.

Thanking you in advance for your attention to this matter, I remain

Respectfully,

Raymond Smith
President

Western AK Building & Construction Trades Council

cc: Larry Gallagher
Local #71
Charles O'Connell
ASEA #52

Juneau Central Labor Council AFL-CIO

124 Front Street, Juneau, Alaska 99801

Bob Provost, President
Inlandboatmen's Union of the Pacific

Dale Reid, Vice President
IU Operating Engineers Local 302

Katherine Brown, Secretary/Treasurer
ASEA Local 52

February 8, 1996

Honorable Mark Hanley
Honorable Richard Foster
Co-Chairs House Finance Committee
Alaska State Legislature

Dear Representatives Hanley and Foster:

The Juneau Central Labor Council represents most local unions based in the Juneau area. These unions represent construction trades, service unions and state and municipal public service employees.

As President of the Juneau Central Labor Council, it is my responsibility to inform you that the Council, by majority vote at its last monthly meeting, opposes House Bill 428 relating to the construction and operations of a correctional facility by a private agency, or any other legislation that would promote privatization of prisons in Alaska. It is the opinion of the Council that this bill is an ANTI-LABOR bill and cannot be supported in any form.

The short term gain for the construction trades, if there were to be a Project Labor Agreement, is greatly overshadowed by the loss of employment opportunities of the men and women who presently operate the State's penal system.

It is very disheartening that those elected to represent the citizens and voters of Alaska are willing to sacrifice those citizens and voters jobs by fostering a partnership by and between outside private prison management firms and the State of Alaska.

Most of the prisons in the State of Alaska were built with the intent to expand. Those expansions can meet the need for additional beds well under the \$100 million proposed by the outside management firms. Expansion of existing facilities will lend employment opportunities to a greater number of Alaskans in more communities than a single monument built to foster wealth for a few.



FAIRBANKS CENTRAL LABOR COUNCIL

January 29, 1996

Representative Eldon Mulder
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Mulder:

A resolution opposing HB 428 and HB 429 was passed at the January 22nd Fairbanks Central Labor Council meeting. While HB 428 represents the most economically responsible way to build in Alaska the long-term economic impact of HB 429 prohibits support for these companion bills.

Once again we see legislation that will take jobs from Alaskans. Alaskans who buy homes, cars and groceries in Alaska. Once again we see legislation that will send corporate profits out of Alaska and bring out of state under qualified workers to Alaska.

The Fairbanks Central Labor council refuses to bite at the short-term carrot of short-term construction jobs at the long-term expense of lost jobs for long-term Alaskans.

Sincerely,

A handwritten signature in cursive script, appearing to read "John S. Brown".

John S. Brown
Field Representative

JSB:jah

Anchorage Central Labor Council AFL-CIO

OFFICERS:

Harriet Lawlor, Pres.
H.E.R.E. Local 878
Shane Ruuttila, Vice. Pres.
A.F.S.C.M.E. Local 52
Dennis Geary, Secretary
A.P.E.A./A.F.T. Local 4900
Anna Bell Stevens, Treasurer
Laundry and Dry Cleaning Local 333

P.O. Box 91136 · Anchorage, Alaska 99509-1136

TRUSTEES:

Andy Piekarski
L.I.U.N.A. Local 341
Rob Cacy
A.F.C.E. Local 183
Valerie Balione
P.E. Local 71
Sergeant at Arms:
Ed Kareen
Operating Engineers Local 302

January 24, 1996

Representative Eldon Mulder
State of Alaska
P. O. Box V
Juneau, AK 99811

Dear Representative Mulder:

The Anchorage Central Labor Council is that single entity that represents most local unions based within the Anchorage Bowl Area, which includes a strong representation of construction trades, service unions, municipal, state and federal public service unions, school district and university employee unions.

It is my duty and responsibility as President of the Anchorage Central Labor Council to inform you, by UNANIMOUS VOTE of council delegates in attendance at the monthly meeting, January 18, 1996, that the Council opposes BOTH HOUSE BILLS 428 and 429 or any other legislation that would promote privatizing of prisons in Alaska.

The opposition of both "bills" are due to the fact, they are "companion bills" and the interdependency allows an interpretation to be construed as ANTI-LABOR bills.

A PROJECT LABOR AGREEMENT bill on a lease/purchase construction contract would be greatly applauded by organized labor were it not for the private third party "operation of a correctional facility".

HB 429 as a companion bill or even as a "stand alone" bill is in it's entirety a "privatizing bill" and in definition an anti-union bill. This bill is an insult to the fine men and women that dutifully operate our present penal systems.

It is very disappointing that those elected to represent the citizens/voters of Alaska are willing to sacrifice those citizens'/voters' jobs by fostering a partnership by and between outside private prison management firms and the State of Alaska.

Let it be known, most of the prisons in the State of Alaska were built with the intent to expand. Those expansions can meet the desired beds and well under the \$100 million proposed by the outside management firms. Expansion of existing facilities will lend employment opportunities to a greater number of Alaskans than a single monument built to foster wealth for a few.

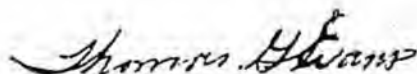
The socio-economic impact and adverse effect of privatizing needs to be fully explored. As well as the socio-economic impact of expanding existing facilities.

Representative Eldon Mulder
January 24, 1996
Page 2

Remember, government employment has and will always be that one avenue that welcomed those of diversity and the less fortunate to job opportunities that did not have artificial barriers that are exclusionary. Privatizing would close this door of opportunity forever.

Privatizing would, more likely, bring those qualified firms from the lower 48 (those with penal experience). And, we know to well, the results of employment opportunities under these conditions for Alaskans. If there are any opportunities for Alaskan employment - it will be at the lower end - no doubt. Privatizing, though a catchy term, is not the answer nor should privatizing be given any consideration without exploring ALL OPTIONS.

Sincerely,



Thomas G. Evans
President
Anchorage Central Labor Council

cc: Governor Knowles
Commissioner Pugh
House of Representatives
State Senate



102 Woodmont Boulevard
Nashville, Tennessee 37205
Phone: (615) 292-3100
FAX: (615) 269-8635

November 1, 1995

The Honorable Eldon Mulder
Alaska State Legislature
House of Representatives
Alaska State Capitol
Juneau, AK 99801-1182

Dear Representative Mulder:

Once again, thank you for inviting me to testify last week before the Alaska's House Finance Subcommittee on Corrections. It was an honor and privilege to speak to committee members about privatization and Corrections Corporation of America. I hope that I was able to inform and further educate you and your legislative colleagues about private sector corrections.

As you know, there were some viewpoints expressed at the hearing that were opposed to privatization. Those opinions were submitted by Don Valesko, business manager for Public Employees Local 71. For the purposes of accuracy and the legislative record, I wanted to take this opportunity to address the issues that Mr. Valesko mentioned in his written material.

Since its founding in 1983, CCA has experienced its share of criticism and scrutiny. Special political interest groups, labor unions, lobbyists and long-time bureaucratic thinkers are among our most staunch critics. The fact is that the corrections industry itself has and always will be a controversial and highly regulated one.

Whenever I hear opposing or critical statements made about CCA, the first question I ask the individual is "have you ever visited a CCA facility?" Not surprisingly, the answer typically is "no." So for the record, I extend an invitation to Mr. Valesko or any other members of Public Employees Local 71 to visit a CCA facility, talk to our staff, speak with the inmates, and look at our programs and services at Florence, AZ, and at other facilities across the country. Opinions usually can be better formed based on the first-hand knowledge and observation that are gained during such a visit.

It is also CCA's experience that private sector companies often are held to higher standards than public sector operators. We have found that the general public and lawmakers are most concerned with efficient use of tax dollars by government. CCA has repeatedly been able to provide cost savings to government, which has resulted in those dollars being used for other public services, such as roads, schools, etc. In fact, many of our contracts require that certain cost criterion be met, such as operating a facility for a specified percentage (from 7 to 10%) less than it has been or would be if operated by the public sector. We consistently have been able to meet that requirement.

For each facility we operate, CCA has a detailed contract with the contracting government agency. Contractual examples include the ratio of staff to inmates, square footage per inmate, number and type of educational/vocational programs and emergency plans. The contract, which is renegotiated and renewed based on terms and provision of quality of service, also documents the per diem cost to be paid to CCA by the government agency. Each per diem varies, depending upon whether or not financing or construction was involved, classification and size of facility, type of inmates, programs and services, etc.

To ensure that we adhere to the contract, the government agency appoints a Contract Monitor. That person is responsible for making sure that we are complying with the contract. The purpose of this monitoring system is to provide greater accountability on our part to make sure that government dollars are used effectively and efficiently. We welcome that accountability.

Accountability also can be measured by independent sources. CCA takes pride in its American Correctional Association (ACA) accreditation achievements. To become ACA accredited, a facility and its management must pass a comprehensive and intensive audit that includes nearly 500 mandatory and non-mandatory standards. These standards deal with management and personnel procedures, physical layout, training programs and delivery of services. The facility must make a perfect score (100%) on the mandatory portion of the inspection and a high score on the non-mandatory part to receive accreditation. All of CCA's facilities operate according to ACA standards and those facilities that are eligible are ACA accredited. This accreditation status, in many cases, is deemed more critical to privately run institutions than others.

As I stated in my testimony, we invest in our employees, especially in training them and training them well. We follow and often exceed the training requirements of the jurisdiction in which we are doing business. In our staff orientation and training, we emphasize interpersonal communication skills, problem solving, risk management and defense tactics. All of this training is designed to promote communication, to address inmate questions and problems

when they are small issues and to prevent incidents. We are keenly aware of the responsibilities of on-line staff, and we invest in them as people, realizing that they are the most important resource we have. It would be irresponsible of us, as the industry leader, not to invest in initial and ongoing staff training.

In regard to pay and benefits of CCA employees, our compensation package is very competitive with public sector employment and the market place. If it wasn't, we would not be able to effectively retain qualified staff.

There are additional reasons that make CCA employment attractive to people interested in the corrections profession. For the purpose of retirement savings, CCA has an Employee Stock Ownership Plan (ESOP), which means that employees literally have ownership in the company. They have a vested interest in doing a quality job. Also, CCA believes in employee recognition and promotion. Entry-level corrections professionals can and do advance. Employees also can transfer to other CCA facilities to pursue career advancement. We strongly advocate promoting from within the company.

In regard to the analysis done by the state of Tennessee comparing the operations and costs of three identical state institutions, one of which is managed by CCA, the concluding point is clear. It is correct to say that the report showed that all three facilities were similar in daily operational costs. However, keep in mind that all three institutions were operating at around \$20.00 less per day than comparable state-run facilities, whose is around \$55.00. By including the private sector into the equation for the study, all three facilities dramatically reduced their daily operational costs, saving taxpayers hundreds of thousands of dollars. That is the conclusion and true outcome of the study. In addition, the state of Tennessee recently renewed its contract with CCA for the operation of South Central Correctional Center.

As I stated earlier, CCA emphasizes training that is designed to promote communication and to prevent incidents. Unfortunately, all the communication and preventive tactics in the world sometimes cannot stop determined inmates who don't want to be incarcerated for their crimes. As such, escapes and attempted escapes are a fact of the corrections field. CCA's security record is a good one. In its 13-year history, the company has the equivalent of more than 15 million days of housing prisoners and inmates, yet has experienced only a handful of escapes.

Specifically in regard to South Central, it is an accurate statement to say that we experienced some challenges when the facility opened in March, 1992. Some inmates who were sent to the facility, based upon their offense(s) and classification, should have been housed in higher level security prisons, but were

assigned (by the state) to South Central to be housed in lower level security areas. Following several inmate incidents, CCA immediately submitted and implemented an enhanced management and security plan in October, 1992. Since that time, there have been no escapes from inside the secure perimeter. The facility was accredited by ACA in January, 1994, and again, the state renewed its contract with CCA earlier this year for the operation of South Central.

At the multi-security level Hernando County Jail in Florida and the Silverdale Facilities in Tennessee, we also experienced some challenges. Those challenges were directly related to the design and construction of the facility, for which we were not responsible. Escapes did occur during the initial management assumption; however, corrective action immediately was taken. That action included CCA's investment in redesigning and building certain areas of the institutions. Hernando County Jail was accredited by the ACA in January 1992.

At Silverdale, CCA is not nor ever has been responsible for the management of road crews. Silverdale inmates are supplied to the Hamilton County Highway Department for its oversight and management of those inmates. At both Hernando County and Silverdale, CCA's contracts with both government entities have continually been renewed. We also are in the process of negotiating with Hamilton County to expand the Silverdale Facilities to accommodate the need for more county beds.

In response to Mr. Valesko's reference to privately operated facilities in Texas, there were initial differences of opinion between the private sector providers (CCA and Wackenhut) and the state regarding educational and vocational services. CCA and the Texas Department of Criminal Justice discussed action steps and plans to address those differences. There were three results to be observed. First, by July 1990, two months after the private companies were purported to be in such bad shape, the board publicly declared them to be satisfactory. Subsequently, the Office of Texas Comptroller John Sharp issued a report declaring that the state's own prison education system that was held out as exemplary, needs "swift and fundamental restructuring." Test results in 1992 reveal a 78% passing rate in academic classes and a 76% passing rate in vocational training in the Texas prisons. In addition, Comptroller Sharp stated, "Private prisons are cost effective, saving governmental entities from five to 15 percent based on cited studies...A mix of public and private prisons is healthy for competition and experimentation of new programs." Both CCA pre-release centers in Texas are accredited by the ACA. The contracts between CCA and the TDCJ for our operations have continually been renewed. In fact, to meet Texas' need for more pre-release beds, CCA expanded last year the Venus facility from 520 to 1040 beds.

Finally, regarding our Santa Fe operations, the state of Oregon in 1990 had an immediate need for bed space. Corrections officials asked us to house on a short-term basis inmates at our Santa Fe Detention Center. With the permission of the Santa Fe county government, an agreement was reached to house Oregon inmates of appropriate classification (nonviolent) in the jail. Upon inmate arrival, it was quickly discovered through CCA's reclassification system that some of the inmates did not meet the agreed upon criteria. CCA's allegiance was first to Santa Fe County. Therefore, the process to immediately return the inmates to Oregon was initiated. Through this entire process, Santa Fe county officials were kept abreast of all transactions.

I hope this information is helpful. As I said, I wanted to state it for the record. Please understand that responding to historical allegations and incomplete information puts CCA in a defensive position. It is not my intent to be perceived that way. However, it is my intent to provide clarification of our business approach, as well as address specific incidents cited by Mr. Valesko.

We, at CCA, are very proud of our accomplishments, including our operations, security record and employees. As anyone in the corrections field knows and understands, this business is not an easy one. However, we have been successful and effective in working with numerous government entities at all levels to do what we do best -- provide quality corrections services, in partnership with government, at less cost to the taxpayer.

Thank you for your interest. Please contact me if you have further questions.

Regards,

A handwritten signature in cursive script, appearing to read "John D. Rees".

John D. Rees

Mr. Chairman, members of the Judiciary Committee. My name is Russell Clemens. I am a Labor Economist for the American Federation of State, County, and Municipal Employees (AFSCME) in Washington, D.C. Our union, which numbers 1.3 million members, includes over 75,000 correctional officers who work in some of the largest and most volatile state correctional systems in the United States. I appreciate your giving us the opportunity to be here today.

The issue of prison privatization is one that concerns us because of its implication for public policy. The appeal of prison privatization is an alluring, yet beguiling one. In theory, it is a relatively simple proposition--fill cells, cut costs, and pass the savings on to government. The reality, however, belies the simplicity of the theory. The twin imperatives of cutting costs and filling cells translates into cutting corners in the operation of prisons both of which have severe consequences that have manifested themselves in several ways that should be of concern to you as a legislature.

Problems with security and escapes have plagued privately-operated prisons from the beginning. AFSCME has not been the only one questioning the consequences for prison security of introducing the profit motive into the management and operation of prisons. After five men, including one charged with stabbing a woman to death, escaped from the privately-operated Bay County, Florida Jail, the editors of the St. Petersburg Times raises these questions about privately-operated prisons: "Will a private company supply adequate staff to maintain institutional security? Will it have enough manpower to prevent escapes?"

Others have expressed concern about the wisdom of privately-operated prisons, especially when it comes to security. In fact, a much awaited audit of the privately-operated South Central Tennessee Correctional Center (SCCC) comparing it with two state-operated prisons found that 214 incidents of injuries occurred at SCCC during a 15 month period whereas 72 such incidents occurred at the two state operated facilities combined. Actually, security problems characterized SCCC from its opening. Between

March, 1992 and April, 1992 eight escapes occurred at the prison, which also had other security problems ranging from finding an inmate with a handgun during a routine search to inmates being inebriated in their cells. These experiences prompted the Memphis Commercial Appeal to comment as follows: "Tennessee's experiment with a privately operated medium security prison looked lean and clean when reporters and officials toured the new South Central Corrections Center. ... The problems arrived with the prisoners."

In view of the imperatives driving prison privatization, these problems ought to come as no surprise since among the costs that private corporations seek to cut are staffing, which accounts for approximately 60% of the operating costs of operating a prison. The Corrections Corporation of America slashed staffing by 17% at the Hernando County, Florida Jail when it assumed control of the facility. Inmate escapes in 1990 prompted the County Commission to request an inspection by the National Institute of Corrections, an agency within the United States Department of Justice. The NIC identified understaffing as a major problem at the jail and commended that additional correctional officers be hired. However, the comments of the company's jail administrator, which is comparable to a warden or superintendent, offer a valuable insight into a corporation's perspective regarding staffing a prison. "The county can agree with (adding the guards) if they want to," the administrator asserted. "but that means the price of poker goes up a far as you're concerned."

Viewed from that perspective, it ought not to be surprising when one of the players folds and walks away from the game. Shortly after Wackenhut Corrections Corporation assumed control of the Monroe County, Florida jail in 1990, the county and a state inspector informed the corporation that the state had previously ordered 11 security posts staffed. Served with a deficiency notice, the company increased its manpower, but to a level that remained below state requirements. The company then billed the county for an extra \$780,000 and demanded it to pay an additional \$2.6 million over the four-year

term of its contract. The county refused, insisting that the corporation should have known about the state's staffing requirements. Wackenhut then terminated the contract.

Loss of control is a danger when any public service is privatized. With a function as essential to public safety as the corrections system, the consequences are potentially ominous. Yet the drive to fill cells, which is the other imperative by which private corporations make money, can have such consequences. A few years after having been awarded a contract to manage and operate the Hamilton County, Tennessee penal farm, the Corrections Corporation of America notified county officials that, because of overcrowding at the facility, it would no longer indemnify (or insure) the county against lawsuits. "We must speculate," the County Attorney responded, "that your action is a ploy to coerce Hamilton County officials into constructing additional facilities for the housing of the overflowing state prison population so that CCA may continue to reap monies for housing these prisoners. If this position of the company is not reversed or clarified without exception, we will have no recourse but to consider this an act of default and consider remedies, including contract termination." Neither the Santa Fe County Commission nor the County Sheriff were notified when the corporation operating the county jail imported 54 inmates from the State of Oregon to fill cells at the facility. As things turned out, their backgrounds were not what the community had been led to believe. None of the inmates were supposed to have been convicted of a crime more serious than armed robbery. In reality, the group included 11 murderers, 17 rapists, and 2 kidnapers. County officials asked that the inmates be returned to Oregon, but only when threatened with the loss of its contract did the company operating the prison agree to do so.

I would be remiss in my responsibilities if I did not address the impact of prison privatization upon employees. Available information indicates that corporations pay wages that are 6%-19% lower and provide fewer benefits to correctional officers than public jurisdictions? But isn't this a good idea, since it means lower costs and thus savings for taxpayers? Not necessarily, for at least a few reasons. John Donahue, who has been a

professor of public policy at Harvard University notes in *Prisons for Profit: Public Justice, Private Interests* that low wages compromise the quality of the correctional officer labor force: "Public (correctional officers) are more likely to be high school graduates, to work full-time and year-round at their jobs, and to be of prime working age. Employers who hire the private-guard labor pool pay less mostly because they get less; lower labor costs mean a lower quality workforce." A study by the Urban Institute comparing a privately-operated and publicly-operated prison in the State of Kentucky confirms that staff of the state-directed institution were significantly older, better educated, had worked at the facility longer, and had wider correctional experience than the personnel at the privately-managed prison. Staff qualifications, the report concluded, "... favor better performance from the publicly managed facility." And perhaps you might wish to consider this. As fashionable as it may be to bash public employees, we are also citizens and taxpayers. We spend our earnings in the community where we work: we purchase homes there; we bank there providing a pool of money with which to lend to others; we buy our cars there; and we support the numerous small businesses that constitute the fabric of community life throughout Alaska. Put another way, our money stays in the community. It doesn't go out of state to contribute toward the profits of others.

Secondly, after all is said and done, after corners have been cut, staff reduced, accountability jeopardized, and paying lower wages and fewer benefits, has prison privatization really saved money for public jurisdictions? After reviewing the literature on the issue, the U.S. Government General Accounting Office (GAO, an independent agency that analyzes federal programs for Congress, found that the evidence is inconclusive--hardly a resounding endorsement. In fact, the 1995 Tennessee audit comparing the privately-operated medium security prison with two of the state's publicly-operated prisons found negligible savings. Impartial observers have begun to question whether privately-operated prisons save money. "It's not easy to make a profit in that business, so they've got to cut corners any way they can," Dennis Palumbo, a criminal justice professor

at Arizona State University, has asserted. "Private prisons may well cost more in the long run, not only in terms of taxpayer money, but also in the health and safety of prison staff and other law enforcement officers."

At the very least, the serious doubts regarding the efficacy of privately-operated prisons ought to be of sufficient concern to require a feasibility study pertaining to the applicability of this idea to Alaska. Such a study, it seems, would be essential before a policy decision is made to send over \$100 million of the taxpayer's money out of state. Yet, the proposed legislature contains no provision for such a study.

The failure to privatize does not preclude the state from addressing its problems regarding overcrowding. The construction of a mega-facility as proposed in the bill may not necessarily meet the needs of the entire state in this regard. In view of a system that has been developed around the idea of regionalization, it may make more sense to consider the expansion of existing facilities, which may also prove less expensive.

Kenai Natives Association, Inc.

215 Fidalgo St., Suite 203

Tangent Building

Kenai, Alaska 99611

January 24, 1998

Governor Tony Knowles
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Re: Privatization Concept for Corrections

Dear Governor Knowles,

This letter will advise of the intention of the Kenai Natives Association, Inc. (KNA) to explore the possibility of constructing and operating a private correctional facility on KNA lands adjacent to the existing Wildwood Correctional Center, and leasing it to the State. We would like to work with your office, the Department of Corrections, and the Legislature to study and develop a plan to address inmate overcrowding that exists throughout the State's correctional system. Naturally, we are very concerned with Native issues that are involved.

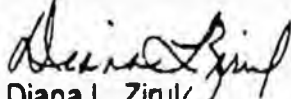
KNA has a previous track record with the State of Alaska, having served as landlord to the State at the Wildwood Correctional Center from 1983 until the State exercised its option to purchase the facility in 1992. During that time we enjoyed an excellent rapport with the Department of Corrections, and believe that relationship could continue in the best interests of all concerned. We have been a strong supporter of the correction's industry, and would hope that KNA would be given serious consideration should the State determine to pursue any agreement with a third party private entity to provide correctional services.

We are in the early stages of fact gathering, and it is likely that feasibility studies will be necessary to determine the exact nature of our anticipated involvement. However, KNA wanted to let you know of our interest and to request that we be kept advised of any significant event involving planning for the Department of Corrections that would impact our potential involvement.

Thank you for your continued support of Native involvement in the government, and for giving KNA consideration and support as a participant in our effort to explore how we might be able to assist the Department of Corrections with the inmate overcrowding and budget issues. Please advise if I can be of further assistance in this matter.

Sincerely,

KENAI NATIVES ASSOCIATION, INC.


Diana L. Zirul
President

DLZ:pa

cc: Margaret Pugh, Commissioner, Dep't. of Corrections
Brian Porter, Chairman, House Judiciary Committee
Mark Hanley, Co-Chairman, House Finance Committee

MTNT, Limited

P.O. Box 309
McGrath, Alaska 99627
Office (907)524-3391
Fax (907)524-3701

January 29, 1996

Rep. Eldon Mulder
House of Representatives
Juneau, AK 99801

Dear Rep. Mulder:

Please accept the following brief testimony from me on **HB 428 and 429**. Unfortunately, I will not be able to be present at your teleconference scheduled for Wednesday, January 31st. I would appreciate it if you would enter the attached testimony in the record.

Please contact me if I can be of any further assistance to you. Your assistant Denny DeWitt has been exceptionally helpful in keeping me informed of your efforts in the area of prison privatization.

Sincerely,

MTNT, LIMITED



Carl A. Propes Jr., CEO

TESTIMONY ON HB 428 AND 429**January 31, 1996****Carl A. Propes Jr.**

My name is Carl Propes. I am the CEO of MTNT, Limited, a merged village corporation for the villages of McGrath, Takotna, Nikolai and Telida. We are located in McGrath, Alaska, and we are a member of the Doyon Region and the Alaska Federation of Natives. Aside from management of our lands and natural resources and our investment portfolio, MTNT's principal activity is the operation of McGrath Light and Power, a regulated utility in McGrath, Alaska.

I have personally been interested in and an advocate of private correctional facilities in Alaska for quite some time now - perhaps for several years. Here is why.

First, crime is not going to disappear anytime soon. As we all know, it is on the increase. Also, the American public will demand more severe punishment for offenders. This is true in Alaska as well as in the Lower 48 states.

Secondly, it is a travesty to send 206 inmates outside to be housed in a facility in Arizona. From the standpoint of simple economics it is a travesty not to have the benefit of that state money circulating within the Alaskan economy. From a social standpoint it is a travesty for Alaskan offenders, a large percentage of whom are Alaska Natives, to be transported far from their homes, their loved ones, and their base of support, to be incarcerated in an unfamiliar area.

Thirdly, as the largest city and the commercial hub of Alaska, it makes sense to build the new correctional facilities that Alaska needs now and will need more of in the future in the greater Anchorage area. This will also be the most cost-effective location in Alaska to house inmates. It is also the headquarters for our transportation, medical and food service industries, all of which are an integral part of the prison business.

Anchorage also has suitable sites for locating an institution such as a 1000-bed prison, away from most residential neighborhoods and schools. The mayor of Anchorage has indicated his interest in and support of a new prison facility in this community.

Fourthly, one must accept the concept that competition, free enterprise and the marketplace are good things. Many activities which were formerly the sole domain of the government have been privatized, most with encouraging results. Many more can be in the future as well, as we come to realize that government cannot be all things to all people. Let industry in to compete to show us how something can be done faster, better and cheaper. In the long run this will restore the public's faith that they are getting the best results for their tax dollars from their government.

In conclusion, if a private company is willing to take the risk and invest in the construction and operation of a multi-million dollar prison in southcentral Alaska, I say let them do it. Government's proper role should be to administer the contract with this company to make sure that they meet the necessary standards, that their employees are properly trained and certified, and that their institution is accredited. I would like to have MTNT, my company, have the opportunity to joint venture in the bidding on such an enterprise. Just think of all of the direct as well as indirect employment and services which would be created as a result. If it works in about half the other states, private corrections can work in Alaska as well. At the very least, it should be given the opportunity to try.

House Committee on the Judiciary

Hearing on HB 428 and HB 429

January 31, 1996

Statement of Lawrence J. Nelson.

Mr. Chairman, thank you for the opportunity to participate in today's hearing. I am the General Manager of Purcell Services, a subsidiary of NANA Development Corporation. As you know, NANA is the native corporation headquartered in Kotzebue whose shareholders are the Inupaiq people of northwest Alaska.

Purcell Services supports the concepts embodied in HB 428 and HB 429. The fact that approximately 200 Alaska prisoners are currently incarcerated in Arizona clearly demonstrates the need for additional correctional facilities within Alaska. Housing our prisoners outside Alaska imposes significant financial burdens upon several agencies of State government, as well as creating obvious hardship for prisoners, and more particularly, the families of prisoners.

At the same time, testimony taken in the recent interim by the House Finance Subcommittee on Corrections demonstrated that the cost of housing Alaska prisoners at the privately operated facility in Arizona is nearly 50% less per inmate per day than the cost of custody in the institutions operated by the Department of Corrections here at home. It certainly appears that a new institution, located in Southcentral Alaska, built and operated by

competent private entities, presents a real prospect for keeping our prisoners in the State, and at less cost than we are now incurring.

The construction and operation of additional correctional facilities in Alaska would be beneficial to Alaska business and the Alaska worker. NANA has several operating business units that could readily be integrated into the corrections field. Purcell Services is a leading provider of security services to Alaska business. Purcell is for example, the security contractor for both ARCO and British Petroleum at Prudhoe Bay. Purcell ranks include a large number of people who formerly held command and management positions in Alaska law enforcement and corrections agencies. The establishment of a top quality work force from such a base of knowledge and experience would be, in our view, a very manageable task.

Another NANA entity that could provide services in a corrections setting is NANA/Marriott, our joint venture with the Marriott Corporation. NANA/Marriott is a premier services management contractor, with a diverse clientele that includes urban and remote site service to the oil industry, the Alaska Railroad, and many other facilities. NANA Marriott provides housekeeping, maintenance and food services. We believe the purchasing power that Marriott Corporation brings to the marketplace would help contain costs of operation.

Whether or not NANA is involved in the private corrections field, we believe this is a concept clearly worth exploring. I

should add that we well know Alaska Natives are represented in disproportionate numbers in the State's inmate population. NANA will support any legitimate effort to keep our prisoners not only in Alaska, but as close to traditional home areas as is possible. This might well necessitate the establishment of additional innovative corrections programs in rural Alaska.

I thank the committee for this opportunity to voice support for HB 428 and HB 429.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES



CLERK
LEGISLATIVE COUNSEL

CLERK
HOUSE SPECIAL COMMITTEE
ON MILITARY AND
VETERANS AFFAIRS

CLERK
MILITARY AFFAIRS FOR
ANCHORAGE COUNCIL

REPRESENTATIVE ELDON MULDER
DISTRICT 23 MULDOON-Ft. RICHARDSON

MEMORANDUM

DATE: November 2, 1995

TO: Representative Mulder Representative Brown
 Representative G. Davis Representative Navarre
 Representative Rokeberg Senator Green

FROM: Denny DeWitt
 Phone 465-2647

RE: Information on Tennessee Audit of CCA Facility

Mr. Don Valesko, Business Manager, Public Employees Local 71 provided written testimony to the committee at the October 19 hearing. In it he offered criticism of the safety record of facilities operated by Corrections Corporation of America. He referred to a study released by the state of Tennessee. He stated,

"However, the privately run CCA facility ranked lower on safety in the Tennessee audit ..."

I enclosed the Executive Summary of the referenced report, dated February 1, 1995. Please note the bottom of page ix, where you will find the following comment from the authors,

"We do not believe there was a significant security and safety performance difference among the three facilities during the rated evaluation period."

I will be happy to copy the entire report at your request.

cc: Office of Management and Budget
 Legislative Finance
 Department of Corrections



ALASKA STATE EMPLOYEES ASSOCIATION
AFSCME Local 52, AFL-CIO

FAX COVER

(11) PAGES INCLUDING COVER 465-3834

To: Rep. Brian Porter, Chair Fax: 258-5511
House Judiciary Committee

From: Chuck O'Connell, Business Manager
ASEA/AFSCME Local 52

Date: 2-3-96 Time: 11:30 a.m./p.m.

Re: HB 428 - Gary Dameron Testimony

Message: As promised yesterday this
is Correctional Officer Dameron's
testimony.

Please share with the rest
of your committee.

Chuck O'Connell

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(907) 452-2300 FAX (907) 452-2307
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TESTIMONY
OF
GARY DAMRON, COIII

before the
House Judicial Committee
February 2, 1996
Re: HB428 and HB429

1 Testimony presented via
2 Legislative Teleconference
3 February 2, 1996
4

5 OFFICER DAMRON: My name is Gary Damron. I am
6 currently a Correctional Officer III at Hiland Mountain
7 Correctional Center. I am the shift supervisor there. I have ten
8 years with the Department of Corrections, and today I am here on
9 behalf of the 800 members of ASEA, and nearly 75,000 Correctional
10 Officers of AFSCME in AFSCME Corrections United.

11 If you will indulge me for a few minutes, I would like to
12 give the Committee a brief history lesson on privatization in the
13 Corrections arena. It has a long history of failure. And as
14 someone spoke on Wednesday, we either have to remember history or
15 we are doomed to repeat it.

16 In 1780 the Walnut Street Jail in Philadelphia was opened
17 by the Church of Pennsylvania. Then about 1810 it had to be taken
18 over by the city because of abuses against prisoners.

19 Louisiana was the first state in the mid-1800s to
20 privatize a prison. It is now known as Angola and, as you know, it
21 is run by the State of Louisiana.

22 New York's most prominent prisons, both Auburn and Sing-
23 Sing were once private facilities run by companies. In the late
24 1880s private prisons were so popular, they were the norm, not the
25 exception. But around 1900, due to the abuse complaints from the
26 private sector, both business and labor, the states were forced to
27 accept responsibility from the private companies to manage and
28 operate these facilities. That's our history lesson; we know that.
29 We also know that we're thinking about doing it again.

30 Some of the things about privatization that I would like
31 to point out is (1) there is a very substantial conflict of
32 interest for a private company to run a public prison. The first

*Testimony of Gary Damron
before the Judiciary Committee
Re: HB428 and 429*

3

1 is that the state is charged by the Alaska Constitution with the
2 reformation of the offender and deterrence. The private companies
3 want to keep the cells full, to keep profits up. What incentive is
4 there for them to run quality rehabilitation programs? Well,
5 there's not. Because, if you reform the offender, he or she
6 becomes a productive member of society and you lose your revenue.
7 The other thing is, rehabilitation programs are very expensive.

8 Another conflict of interest comes to disciplinary
9 problems inside of prisons. One of our best management tools that
10 we have today is the forfeiture of statutory good time. If I were
11 running a private prison and I thought I could take a few days or
12 a few months away from a prisoner and keep him in my jail, I would
13 jump on it in a heartbeat. It means more money.

14 I would like to talk to you a little bit, too, about the
15 two companies that seem to be at the forefront of Alaska's
16 privatization efforts, Wackenhut and CCA.

17 Wackenhut runs the Savannah River and Rock Flats Nuclear
18 Test Facilities. The employees there have been used to repress
19 peaceful demonstrations and gather intelligence, quote/unquote, on
20 U.S. citizens. And we all know about their reputation in Alaska.
21 Unlicensed investigators in Alaska were used to quiet Alyeska
22 Pipeline Service Company critics. They broke the law in three
23 states, and they even went so far to investigate a U.S.
24 Congressman.

25 CCA, on the other hand, while not doing this kind of
26 activity, was linked to possible corruption over its relationship
27 to state and local officials in its home state of Tennessee. A
28 U.S. Attorney in Nashville is currently investigating charges of a
29 bribery kick-back surrounding a \$1 million contract to CCA to
30 operate the Southcentral Correctional Center in Pipeville,
31 Tennessee.

32 CHAIRMAN PORTER: Gary, can you hear me?

Testimony of Gary Damron
before the Judiciary Committee
Re: HB428 and 429

1 OFFICER DAMRON: Yes, sir.

2 CHAIRMAN PORTER: I am going to have to ask you to
3 summarize. You are little over the three minutes already.

4 OFFICER DAMRON: Well, basically, my presentation
5 today is that this is major public policy shift; there is no safe
6 public interest in privatizing our facilities.

7 Thank you.

8 CHARLES L. O'CONNELL (Business Manager for
9 ASEA/AFSCME Local 52): Chairman Porter, we will give you the
10 remainder of his testimony in writing tomorrow.

11 CHAIRMAN PORTER: That will be fine. We have -- the
12 fax number should be there for you to obtain. Just send it to the
13 Judiciary Committee fax number here in Juneau --

14 O'CONNELL: Thank you.

15 CHAIRMAN PORTER: -- your testimony and anyone
16 else's that had it in writing, that would like it to be part of the
17 record.

18 (Follows is written testimony "in progress,"
19 to complete Officer Damron's presentation
20 to the Judiciary Committee)

21 OFFICER DAMRON: In 1992 the State of Tennessee
22 awarded a \$60 million contract for a prison in Wayne County,
23 Tennessee. This was \$10 million higher than the other bidder. The
24 Tennessee-based company received the contract through a process
25 that allows a favored business to score high enough on the proposal
26 to win a contract, even if it offers the highest bid.

27 And now I would like to get into private prison
28 performance. The cost savings of private prisons is negligible at
29 best, if there is any at all. In 1985 the National Institute of
30 Corrections and the American Correctional Association audited two
31 Florida youthful offender prisons. One was run by the Eckerd
32 Foundation, as private for-profit corporation, and one was run by

1 the State of Florida. The results of the NIC and ACA audit were
2 that there was, "No significant reduction in costs."

3 And in 1989 the National Institute of Justice and the
4 Urban Institute studied the Blackburn, Kentucky, Corrections
5 Complex and the Marion Adjustment Center run by the U. S.
6 Corrections Corporation. Costs were the same, despite the fact
7 that Marion received only model prisoners. This was also despite
8 of the fact that Marion paid staff less and gave fewer benefits.

9 The CCA in the State of Tennessee audit in 1995 reported
10 that the cost savings was only about 1% between the CCA facility
11 (Marion) and the state-operated facility (Blackburn).

12 Dennis Colombo, Criminal Justice Professor of Arizona
13 State University states, "Private prisons may well cost more in the
14 long run, not only in terms of taxpayer but also in the health and
15 safety of prison staff and other law enforcement officers." This
16 is from The Christian Science Monitor.

17 Now, to security, escapes, and public safety. The CCA
18 Hamilton County, Tennessee, Penal Farm in 1985 to 1986 had 64
19 prisoners escape from the facility and road crews. In 1989 the CCA
20 Hernando County, Florida, Jail, from June 1989 to January 1990 had
21 7 escapes. The CCA Bay County, Florida, Jail in 1989 had 5
22 escapes, including 1 maximum security prisoner, leaving the
23 St. Petersburg Times to remark, "The Bay County episode has yet
24 another question mark about prisons and profits." 1992, in the
25 Southcentral Correctional Center, Wayne County, Tennessee (a medium
26 security facility, and that's what they want to build here), there
27 was one stabbing which killed one prisoner and seriously injured
28 two others. A handgun was found during a routine search, and they
29 had eight escapes between March and October of 1992.

30 A 1995 audit of the Clifton Prison, versus two state
31 facilities in Tennessee, there were 214 incidents of injury over a
32 15-month period versus 72 in the two other facilities combined.

1 The report also stated that the CCA staff used force more often:
2 30 incidents in the CCA facility versus 10 in the other two
3 facilities combined.

4 And just recently in Elizabethtown, New Jersey, at the
5 Immigration Detention Center, there was a riot. The GAO laid the
6 cause of the riot to poor staffing, abuse and mistreatment by the
7 rent-a-guards, and cost-cutting in basic human services, such as
8 quality food service and poor health care.

9 Alaska Correctional Officers are Class I employees and
10 have no right to strike. We have to come to work, regardless of
11 the circumstances. Is that going to be applicable to private
12 employees? I heard about a no-strike clause in their contract, but
13 I don't see how under the National Labor Relations Act someone can
14 implement that.

15 And what happens in an adverse job action for a riot in
16 Alaska? Who is going to respond? It is going to be other State
17 COs from around the state; the National Guard; the Troopers; and,
18 if this facility is built in Anchorage, the Anchorage Police
19 Department. Do they have such a training contingent? I don't
20 believe so.

21 I want to move on to some comments about staffing private
22 facilities, and some audits and things like that that were brought
23 to my attention.

24 In 1990 an audit by the State of Texas of four
25 correctional corporations of American and Wackenhut facilities
26 stated, "Understaffing is a major problem." At the Hernando County
27 Jail, when Corrections Corporation of America took over, they
28 slashed staff by 17%, cutting the staff of 94 Correctional Officers
29 to 78. The National Institute of Corrections stated that a minimum
30 of 10 new Correctional Officers needed to be hired to meet even the
31 minimum standard

32 On Wednesday you heard Sgt. Antrim, of the Lemon Creek

1 Correctional Center, talk about what you are not going to get; and
2 I will briefly touch on those, and I have some more to add to that.

3 ● You are not going to have mental health prisoners
4 needing treatment going to this facility because it is
5 too cost-prohibitive.

6 ● You are not going to have pre-trial prisoners for
7 two reasons: (1) It's too expensive, and (2) they are
8 not yet classified. (And by Bill 428, they are not
9 classified yet when they are pre-trial.)

10 ● You are not going to have misdemeanants simply
11 because they are too expensive and they are too short-
12 term. There are many different things that need to be
13 taken care of in terms of misdemeanants. One of those is
14 time-accounting, and that is a very time-consuming task.

15 ● You are not going to have booking. You are not
16 going to have geriatric patients, which is the second-
17 largest growing offender population that we have right
18 now.

19 ● You are not going to have chronically ill people,
20 people with cancer, people with asthma, things like that
21 because the medical treatment is so expensive.

22 ● You are not going to have prisoners who need
23 detoxification, because that is expensive and it is
24 dangerous. People coming off drugs and alcohol do weird
25 things, they fight, etc.

26 ● You are not going to have maximum security
27 prisoners. That's been ruled out by this bill
28 specifically. Many prisoners just coming into this
29 system are also going to be classified maximum security
30 for several reasons.

31 ● You are not going to have females. When I left my
32 shift Thursday morning at Hiland Mountain Correctional

1 Center, there were 65 female prisoners housed there.
2 Twelve are pregnant, and of these all were high-risk
3 pregnancies due to the lifestyle of the prisoner
4 population.

5 ● You are not going to have sex offender treatment at
6 this plant, because sex offender treatment is very, very
7 expensive.

8 The impact upon employees is great. You have reduced
9 salaries and benefits for private prisons, and you are comprising
10 on the quality of employees.

11 I would like to tell you some things that AFSCME, ASEA,
12 and our members feel that Alaska does not need, and these are also
13 my personal views -- take them as you will.

14 What Alaska doesn't need is a 1000-bed facility that
15 won't serve the needs of the Bush and outlying communities. It
16 won't house prisoners that need booking, intake, mental health
17 treatment, detoxification, long-term medical care, or sex offender
18 treatment; and it won't hold prisoners that are pre-trial,
19 misdemeanants, geriatric, maximum security, or female. What you
20 will have is a 1000-bed empty prison.

21 What Alaska does need, however, is expansion of existing
22 facilities. This leads to several cost reductions, including
23 reduced capital costs, reduced transportation costs, better use of
24 current staffing, and it brings about an economy of scale.

25 The second thing we need is a new pre-trial detention
26 center in Anchorage to replace the Sixth Avenue Jail.

27 And here are some things that I feel that Alaska already
28 has. Alaska has a model system for the rest of the nation. We
29 have very few escapes. We have overcrowding, but it is still not
30 to the extent of other systems. We have a well-trained, educated,
31 and motivated staff, both in Correctional Staff and Administrative
32 Support. We have an excellent rehabilitation program. We have the

1 sex offender treatment programs at Hiland Mountain and Lemon Creek
2 Correctional Centers, for which the Hiland program is the model for
3 the rest of the nation. We have drug and alcohol treatment that
4 are second to none. These are also provided by contractors. We
5 have vocational educational training. We have several
6 apprenticeship programs, including a bakery in Palmer, metal
7 working and furniture-making shops in Seward and Kenai, and we have
8 sewage treatment plants where prisoners are learning how to handle
9 waste water at both Palmer and Hiland Mountain Correctional Center.

10 We also have a model prison industry program. Several of
11 the industries included there are meatpacking, laundry, clothing
12 manufacturing in Fairbanks, and metal and furniture-making in
13 Seward and Kenai.

14 We have a safe system. We had no homicides by prisoner-
15 on-prisoner, prisoner-on-staff, and we've had no staff terminate
16 prisoner life in our history. We have very few prisoner assaults
17 on other prisoners, and we have very few prisoner assaults on
18 staff.

19 In conclusion, I would like to say that privatization is
20 not the answer, despite the rush to that arena. One thousand beds
21 in Anchorage will still not solve our problem; it will be empty.
22 Transportation costs from the Bush for sentenced prisoners to the
23 Anchorage area is exorbitant and needs to be considered.

24 It will not reduce the liability of the State. When we
25 incarcerate someone, it doesn't matter whether it is a private
26 facility or a public facility. The state is still liable for the
27 care and custody of that prisoner.

28 What is needed is a new state jail in Anchorage. It is
29 cost-effective. It will accept all prisoners, and it is
30 considerably smaller than 1000 beds. We desperately need expansion
31 of existing facilities, to meet the regional needs of the State,
32 specifically in Bethel, Nome, Mat-Su, and the Anchorage area.

1 Thank you for this opportunity to present this testimony
2 before you.
3 (end of testimony/GD:bhc)

Testimony of Gary Damron
before the Judiciary Committee
Re: HB428 and 429



LEGISLATIVE INFORMATION OFFICE
 119 N. CUSHMAN, SUITE 101
 FAIRBANKS, AK 99701
 452-4448

DATE: 2/1/96

Please accept the enclosed original(s) of written testimony for the

House Judiciary (HB 122/129) teleconference scheduled on 1/31/96. A copy of this testimony was

transmitted to your committee via fax.

Thank you,

... and would in new ...
... liability - ethics language needs to be ...
 * Cost Savings & Economic Stability
 This legislation does not include a requirement to ensure a cost savings to the state. It can be devastating to the economy of other areas of the state.
 * State Employees - while I applaud the sponsor for the inclusion of a job project labor agreement but we must to secure decent working conditions and wages for the employees working on it. (over)

SIGNED Kelly E Brun
 TESTIFIER

ASEA / AFSCME Local 52
 REPRESENTING (OPTIONAL)

315 Barnette, Fairbanks AK 99701
 ADDRESS/PHONE NUMBER



ALASKA STATE LEGISLATURE

PLEASE ENTER INTO THE RECORD MY TESTIMONY TO THE H. Judiciary
COMMITTEE NAME

COMMITTEE ON HB 428/429 DATED 1-31-94
BILL/SUBJECT

while I found these two bills interesting reading at best, I do want to address several key concerns that this legislation fails to address.

* Public Safety & Liability The state of Alaska remains liable for all aspects of the operations of Correctional facilities/responsibilities. The public needs to be aware that this legislation does reduce the current requirements/training held by state correctional officers. Any contractor should be required to fully inform the public of their history and record in this field. Liability - Ethics language needs to be included.

* Cost Savings & Economic Stability
This legislation does not include a requirement to ensure a cost savings to the state. It ^{could be} ~~can~~ be devastating to the economy of other areas of the state.

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SIGNED Kelly E Brown
TESTIFIER

ASEA / AFSCME Local 52
REPRESENTING (OPTIONAL)

315 Bennette, Fairbanks AK 99701
ADDRESS/PHONE NUMBER

Construction of the facilities I find it
disturbing and an insult to the 800
Alaskans, across the state, currently
working within correctional facilities
that the sponsor did not
offer the same conditions on their behalf.

While some may think public employee
bashing is appropriate on the campaign
trail, it is totally inappropriate to
be incorporated in legislation for the
State of Alaska.

Offer an alternative
your review.

l
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Legislation allowing for
expansion of feasibility studies
of expansion possibilities to
existing facilities across the
state.

Thank you.



ALU

To: <u>Rep. Partee</u>	From: <u>4/14/10</u>
Co: <u>Alaska Guild Centre</u>	Co:
Dept:	Phone #
Fax #	Fax #

TURE

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COMMITTEE ON HB 428/429 DATED 1-31-96
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SIGNED

TESTIFIER

Kelly E Brown

REPRESENTING (OPTIONAL)

ASEA / AFSCME Local 52

ADDRESS/PHONE NUMBER

315 Barnette, Fairbanks AK 99701

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Offer ^{an} alternative
your review.

l
ju

Legislation allowing for funding of feasibility studies of expansion possibilities to existing facilities across the state.

Thank you!

My name is Mary Colter, I am a nurse at Lemoyne Creek Correctional Center. I have also worked at the Sitka Pioneer Home and have come to this hearing during my vacation because I honestly feel privatizing correctional facilities would be a mistake for some of the following reasons:

① Public safety would be at risk. Currently the security personnel are a high quality individual, many with degrees, past experience in law enforcement or the military. Some paid security personnel may be less intelligent than the criminals they are controlling.

② Privatization would not decrease costs, other institutions that have privatized have not realized decreased cost.

Mary Colter

P.O. Box 1587
Kenai, AK 99611
January 31, 1996

House Judiciary Committee
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1152

Rep. Brian Porter, Chair

Dear Rep. Porter

We have reviewed HB 428 and 429 and feel that the communities of this State need a comprehensive explanation of what the bills are expected to accomplish; what the true costs will be; what the impact upon the smaller prisons will be; if there are any long-term family impacts; and what the general emphasis of the State of Alaska is and will continue to be. The House Concurrent Resolution 19 dealing with the establishment of a TASK FORCE on CORRECTIONS must fit in somewhere.

Please schedule a hearing on this proposal (HB 428 & 429) in communities on the Kenai Peninsula so that our people will be able to give a fair judgement on whether or not to support these efforts.

Thank you,

Joan Bennett Schrader
Joan Bennett Schrader
State Vice President
Coalition of Labor Union Women
(907) 283-4359



cc: CLUW
KFCIC



Alaska State Legislature

Please enter into the record my testimony to the House Judiciary Committee
committee name
 committee on H.B. 428/429 dated 31 Jan 96
bill/subject

I am totally against any privatization
 of Correctional facilities. The housing
 and care of prisoners should remain in
 full control of the state. Many other
 states have tried private jails and it has
 failed over and over. This is not the type
 of jobfield that can or should be run for profit.

Signed: Sergio Burch
Testifier

self
Representing (Optional)

PO Box 471 Kenai, Alaska 99611
Address

262-4029
Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Judiciary Committee
committee name
 committee on HB 128/429 , dated Jan 31, 1996
bill/subject:

I have been a correctional officer for 18 years, and I do not think privatization is a good idea. Especially from the stand point of the officer, and the private sector.

Signed: Carol J. Harrison
Testifier
myself
Representing (Optional)
P.O. Box 3353 Kenai, Ak. 99611
Address
907-283-9002
Phone No.



ALU

To: Rep. Partee	From: #44 LIO
Co: David Spid (Conte)	Co:
Dept:	Phone #
Fax #	Fax #

ATURE

PLEASE ENTER INTO THE RECORD MY TESTIMONY TO THE H. JUDICIARY COMMITTEE NAME

COMMITTEE ON HB 428/429 DATED 1-31-96

BILL/SUBJECT

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SIGNED Kelly E Brown
TESTIFIER

ASEA / AFSCME Local 52
REPRESENTING (OPTIONAL)

315 Barnette, Fairbanks AK 99701
ADDRESS/PHONE NUMBER

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While some may think public employee bashing is appropriate on the campaign trail, it is totally inappropriate to be incorporated in legislation for the State of Alaska.

offer an alternative
your review.

l
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Legislation allowing for funding of feasibility studies of expansion possibilities to existing facilities across the state.

Thank you.

My name is Mary Coulter, I am a nurse at Gnomon Creek Correctional Center, I have also worked at the Sitka Prison Home and have come to this bearing during my vacation because I honestly feel privatizing correctional facilities would be a mistake for some of the following reasons:

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Mary Coulter, RN

P.O. Box 1587
Kenai, AK 99611
January 31, 1996

House Judiciary Committee
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1162

Rep. Brian Porter, Chair

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Thank you,

Joan Bennett Schrader
Joan Bennett Schrader
State Vice President
Coalition of Labor Union Women
(907) 283:4359



cc: CLUW
KFCIC



Alaska State Legislature

Please enter into the record my testimony to the House Judiciary Committee
committee name
 committee on HB 428/429 . dated Jan 31, 1996
bill/subject:

I have been a correctional officer for 18 years, and I do not think privatization is a good idea. Especially from the standpoint of the officer, and the private sector.

Signed: Charles J. Harrison
Testifier
myself
Representing (Optional)
P.O. Box 3353 Kenai, Ak 99611
Address
907-283-9002
Phone No.



Alaska State Legislature

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Testifier
myself
Representing (Optional)
P.O. Box 3353 Kenai, Ak. 99611
Address
907-283-9002
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Mary Coulter

P.O. Box 1587
Kenai, AK 99611
January 31, 1996

House Judiciary Committee
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Rep. Brian Porter, Chair

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KFCLC



Alaska State Legislature

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 committee on HB 428/429 dated 31 Jan 96
 bill/subject:

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 states have tried private jails and it has
 failed over and over. This is not the type
 of jobfield that can or should be run for profit.

Signed: Singer Bush
 Testifier

Self

Representing (Optional)

PO Box 471 Kenai, Alaska 99611

Address

262-4029

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the Judiciary committee name

committee on HB 428 , dated 2/2/96
bill/subject:

As has been stated previously private corporations have a historically bad reputation for reliability. What has not been brought up is the fact that however many bed facility is built the corp. is going to fill the beds either with prisoners from here or outside.

IT A lot of talk has been made on the salaries & training that has to happen if the safety of staff & inmates is to continue. This is an expensive & not necessarily cost effective in the short range. I can not see anyone interested in profits, investing in anything that was not ~~indirectly~~ directed towards this end.

Signed: L Mitchell

Testifier

SELF

Representing (Optional)

5 Chugach Ave Kenai AK 99611

Address

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Judiciary
committee name

committee on 428/429 dated 02/02/96

bill/subject:

All Pretrial Facilities must be treated as Maximum Security because Arresting officers do bring in dangerous people and to think that Pretrial people are less dangerous shows a lack of understanding of the term "Pretrial".

The Arresting officer could pick up a simple DWI get him/her to Pretrial and later we find out we have a Mass/serial Murder with multiple escape/assault history.

The "no-strike" portion seems only to apply to the construction and says nothing about oppression.

Signed: William R. Parker

Testifier

Self

Representing (Optional)

Hc 1 Box 1418 Soldotna AK 99668

Address

907-262-7677

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the House Judiciary
committee name
 committee on 428/429 dated 02/02/96
bill/subject

Part of the comments of feed back was that some correctional officers earn far above the base rate. This is logical when one considers that the staffing levels are short and many officers can learn/work much overtime. We in DOC have been short staffed for years and are now being condemned for the Legislatures past practice of not funding corrections. It makes as much sense as the Nazis condemning the Jews who survived at Buchenwald for surviving when the Nazis knew they were not providing enough food for a human being to live. Stab us in the back and wonder why we have a pained look on our faces.

Signed: Self

Testifier

Self

Representing (Optional)

Ho. 1 Box 1418 Soldotna AK 99668

Address

907-262-7677

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HJUD
 committee name
 committee on HB 428 dated 2-2-96
 bill/subject

02-02-96

TO WHOM IT MAY CONCERN:

I JUST WANTED TO LET YOU KNOW THAT I AM TOTALLY AGAINST
 PRIVATIZATION OF ALASKA'S PRISONS. I WAS BORN AND RAISED HERE IN
 ALASKA AND I AM ONE OF THE FEW FROM MY HIGHSCHOOL CLASS THAT
 RETURNED TO ALASKA TO LIVE AFTER COLLEGE. I HAVE A JOB THAT I
 ENJOY WITH GOOD BENEFITS AND NOW YOU ARE TRYING TO LET SOME
 PRIVATE ORGANIZATION COME IN AND TAKE OVER FOR HORRIBLE WAGES AND
 BENEFITS, INSTEAD OF CUTTING THE BUDGET IN PLACES AND LEAVING US
 ALONE. I DON'T SEE YOU TAKING MONEY OUT OF YOUR POCKETS. THANK
 YOU FOR YOUR TIME.

SINCERELY,

SHERRIE BARLOW
 CORRECTIONAL OFFICER II
 WILDWOOD PRE-TRIAL

Representing (Optional)

Address

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HOUSE JUDICIARY
committee name
committee on HB 428, HB 429, dated 1-31-96
bill/subject

I WOULD LIKE TO VOICE MY OPPOSITION TO THE ABOVE BILL YOU ARE NOW CONSIDERING. I WOULD LIKE TO POINT OUT SOME ITEMS OF INTEREST PRODUCED FROM WORKING PAPERS FROM MY UNION.

DOES IT REALLY SAVE MONEY: THE US GAO REVIEWED LITERATURE ON PRIVATIZATION. IT FOUND EVIDENCE REGARDING COST SAVINGS TO BE INCONCLUSIVE. A CCA OPERATION IN TENNESSEE WAS ONLY ABOUT 1% CHEAPER THAN ITS TWO STATE-RUN COMPETITORS. IN ONE INSTANCE IN TENNESSEE THE PRIVATE PRISON WAS FOUND TO OPERATE AT A 10% HIGHER COST THAN ITS STATE-RUN COMPETITOR. A US NEWS AND WORLD REPORT ASSERTS THAT OPERATORS OF PRIVATE PRISONS MAY END UP CHARGING MORE MONEY ON THEIR CONTRACTS TO COVER COSTS.

DO PRIVATE PRISONS PROVIDE BETTER SERVICE: IN A SEVEN MONTH PERIOD ENDING IN JANUARY 1990, SEVEN INMATES ESCAPED FROM CCA-OPERATED HERNANDO COUNTY, FLORIDA JAIL. CCA OPENED A NEW STATE PRISON IN TENNESSEE AND HAD EIGHT ESCAPES. IN 1985 AND 1986 CCA HAD MORE THAN FIFTY INMATES ESCAPE ONE OF ITS TENNESSEE WORK FARMS. THERE ARE MORE EXAMPLES, BUT WHY BOTH.

STAFFING: CCA SLASHED STAFFING AT HERNANDO COUNTRY FLORIDA JAIL. THE ESCAPE OF SEVEN INMATES PROMPTED AN INVESTIGATION THAT IDENTIFIED DECREASED STAFFING AS A MAJOR REASON. AN INSPECTION OF A WACKENHUT-OPERATED MONROE COUNTY, FLORIDA JAIL FOUND THE CORPORATION IN VIOLATION OF STATE STANDARDS ON STAFFING. SERVED WITH A DEFICIENCY NOTICE WACKENHUT INCREASED STAFFING TO A LEVEL STILL BELOW STATE STANDARDS. WACKENHUT THEN BILLED THE COUNTY \$780,000 AND DEMANDED THE COUNTY PAY AN ADDITIONAL \$2.6 MILLION OVER THE FOUR-YEAR CONTRACT.

Signed: LARRY BROWN

Testifier

Representing (Optional)

PO BOX 1317, KENAI, AK 99611

Address

283-7164

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the HOUSE JUDICIARY
 committee name
 committee on HR 428, HB 429 dated 1-31-96
 bill/subject

STAFFING CONTINUED: MONROE COUNTY RESUMED OPERATION OF THE PRISON. TURNOVERS OF NEWLY-HIRED CCA STAFF IS AS HIGH AS 56%. SOME CCA PRISONS ROUTINELY HAVE TURNOVER RATES OF 50 TO 90% OF NEWLY HIRED SECURITY FORCE. WHEN YOUR CUTTING CORNERS TO MAKE A PROFIT, MCDONALDS WAGES DO NOT FEED THE FAMILY OR DRAW LONG TERM DEDICATED EMPLOYEES. JOHN DONAHUE SUGGESTS IN PRISONS FOR PROFIT "EMPLOYERS WHO HIRE FROM THE PRIVATE-GUARD LABOR POOL PAY LESS MOSTLY BECAUSE THEY GET LESS: LOWER LABOR COSTS MEAN A LOWER-QUALITY WORKFORCE." A 1995 AUDIT COMPARED CCA RUN CLIFTON PRISON WITH TWO TENNESSEE STATE-RUN PRISONS. 214 INCIDENTS OF INJURIES OCCURRED OVER A FIFTEEN MONTH PERIOD AT THE CCA-OPERATED PRISON. THE TWO STATE-RUN PRISONS OF SIMILAR SIZE AND POPULATION REPORTED 72 INJURIES FOR THE SAME PERIOD. STAFF AT THE CCA PRISON APPLIED USE OF FORCE IN 30 INCIDENTS COMPARED TO 10 INCIDENTS FOR THE TWO STATE PRISONS OVER THE SAME TIME PERIOD. IS THE STATE READY TO PAY THOSE LAW SUITS? INVESTIGATORS IN KENTUCY FOUND THAT, "STATE OPERATED STAFF ARE SIGNIFICANTLY OLDER, BETTER EDUCATED, WORKED AT THE FACILITY LONGER, AND HAD WIDER EXPERIENCE THAN WAS THE CASE AT PRIVATELY-MANAGED PRISONS."

THERE IS MUCH MORE THAT NEEDS TO BE LOOKED INTO. PROGRAMS, EDUCATION, HEALTH SERVICES, ETC. FINDINGS IN THOSE AREAS WERE NOT SO GREAT FOR CCA OR WACKENHUT.

BUT IN CLOSING I WOULD LIKE TO ASK THE MEMBERS OF THE LEGISLATURE IF THEY HAVE THOUGHT ABOUT THE ALASKANS ALREADY WORKING IN STATE CORRECTIONS. OVER THE LAST SEVERAL YEARS THESE ALASKANS AND THEIR FAMILYS HAVE BEEN USED AS PAWNS IN LAY-OFFS, FACILILTY CLOSURES, BUDGET CUTS, ETC. WHAT ABOUT THEIR FUTURES, THEIR LIVES? IS ANYONE IN JUNEAU LISTENING? DOES ANYONE IN JUNEAU CARE ABOUT THESE ALASKANS!

LARRY BROWN

Signature: _____

Testifier

Representing (Optional)
 PO BOX 1317 KENAI AK 99611

Address

283-7164

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the JUDICIARY COMMITTEE
 committee name
 committee on CSHB 28, dated 2-2-96
 bill/subject

I would like to point out a single item that seems to be the most overlooked. I continue to hear the comparison of \$107⁰⁰ per bed in Alaska, and \$59⁰⁰ per bed in the private prison in Arizona.

Please note that this is not Arizona, nor any other state in the lower 48. - It is Alaska. Just living here costs more than in Arizona.

Also, the \$107⁰⁰ is, I believe, averaged across the entire Department of Corrections, not for specific facilities, as mentioned by Ken Brown, a sentenced bed at Wildwood is at \$69⁰⁰, not \$107⁰⁰. Much of it has to do with location, as it is the smaller facilities in places like Bethel, Nome etc. that drive the costs up. Even at the higher prices ~~there~~ there, they are needed. The private sector does not wish to operate in the higher cost locations, nor deal with the higher cost prisoners such as pre-trial, pre-sentencing and maximum custody. I do not believe the state facilities will be any more expensive than private.

Signed: Dale Long

Testifier

SELF

Representing (Optional)

5 CHALGACH AVE.

Address

283-9874

Phone No.

COPY OF ORAL
TESTIMONY GIVEN
TO HJUD ON 2-2
TELECONFERENCE

Ken Brown
My mailing address is: 10 Chugach Avenue
Kenai, Alaska 99611 776-8979

RE: HB428 & HB429

I have worked for the Corrections Department in Alaska for more than 24 years. I am a member of the American Correctional Association since 1982 and a certified auditor for ACA since 1990.

I am only speaking for myself and not the Department of Corrections.

The first thing that needs to be said is that Alaska has one of the safest corrections systems in the country. Every study we've ever had has come to that conclusion. We've never had an officer or an inmate killed in prison. The number of escapes is small compared to other state systems. Prison violence, while increasing, is still minimal compared to other states. The few hostage situations we've had were concluded without injury. Over the years we have developed an effective and professional work force in our prison system. We've never had a prison riot. To even mention the possibility of prison riot or hostage taking is received by some as a scare tactic, and yet riots and prison disturbances are a part of the corrections landscape in many systems. We have been fortunate. Maybe we're doing something right. This state needs to give a lot of serious thought before making major, and perhaps irrevocable changes, to a system that has proven itself to be a good one. If building a 1,000 bed private prison turned out to be a mistake, it would be a mistake that would be difficult to correct. You really need to think about that.

Many of you are aware that the private sector already plays a significant role in government, including Corrections. The Department is presently spending millions of dollars for half-way house beds, medical services, guard hire, materials and supplies, food, substance abuse treatment, etc. This is one type of private sector spending, but making the leap from contracting for services to privatizing prisons is a radical change. Ultimately we would be privatizing the ability to use lethal force against inmates. This is analogous to a private police force and represents dramatic change in public policy. Such a step should not be taken lightly. The consequences could be profound.

Those promoting prison privatization can show you examples of well run private prisons, and those opposed can cite examples of failure, including cases that required the government to take over the prison after major problems, including riot. But there are State and Federal institutions that have gone up in smoke also. What the Committee needs to think about, however, is what is the State realistically prepared to do if a 1,000 inmate prison doesn't work, if there are major problems. If I'm dissatisfied with the quality of the potatoes I'm buying, I can switch vendors. If I'm dissatisfied with my contract substance abuse counselor, I can get a new one.

Buying and contracting for services, as we are doing now, can not compare to privatizing a 1,000 bed prison. The difference between what is being proposed in Alaska and what is happening in some other states, is the pure magnitude of the proposal. We presently have approximately 2,600 sentenced inmates in our system, and this bill is proposing a private prison to add 1,000 beds for a total of 3,600 and with room for expansion. Do we really want 1,000 out of 3,600 to be operated by the private sector? That's close to 30% of the sentenced beds. No other state that I'm aware of does it that way. I can understand a state like California with 50,000 inmates looking to the private sector for some small percentage of its beds, but it would be unlikely that they would want 15,000 beds in the private sector. From a percentage stand point that is what we would be looking at. Is our system big enough to warrant a private prison of this size? If this 1,000 prisoner unit failed in a way that threatened public safety or staff safety, there is no way this department could muster a corrections force to take over and run the prison. We wouldn't have the staff. We are having difficulty finding qualified staff right now.

Surely the State should wade into the private prison waters slowly and carefully. This bill, as crafted, would be like jumping in the ocean without a life raft. According to the bill the State would only be able to take over the prison on a temporary basis, no matter what happened. I think you have to think about worse case scenarios in this business because corrections is very serious. If this prison failed this state would not be prepared to take it over, even temporarily. It would be too big and require too many staff.

Remember what Sgt. Antrim said two days ago - the bill does not provide for maximum security space, in fact prohibits it, and therefore is not intended for pre-trial inmates. Any pre-trial facility must have maximum security space because police arrest dangerous people who must be housed in maximum security space. One of the big needs in the Alaska correctional system is pre-trial space and this prison would do nothing to help.

I am not sophisticated in matters of public finance but we all know that whoever builds a private prison expects to get their money back. And we are talking huge money, \$100,000,000 that the State will pay back through a rental obligation of no more than \$200,000,000. Isn't that a little like responding to the car dealer who says "Come on down, no payment or interest until next year"? This is not free. The State will pay, one way or another. Maybe the private sector is putting up the money, but only because the State will pay them back plus a profit. Why not ask the Department of Corrections what they think they need and what they could do with 100 million dollars? We've paid good money for some excellent studies showing what kind of beds are needed and where they are needed.

Whatever happened to the Master Plan of just a few years ago?

Nothing in this bill states that the cost of running the private prison must be less than

what it costs to run prisons under government control. WCC prison is operating at a cost of about \$69.00/day/prisoner. Many of the Department's prisons operate very efficiently. Some don't because they are small and isolated or have a large number of high security inmates. Shouldn't there be something in this bill that requires the private prisons to save money? How are they going to do that? The only significant category in which money can be saved is in personnel costs, because that's about 80% of the budget. Here are some Correctional Officer starting salaries:

Recruit (range 9)	\$12.35/hour
Correctional Officer I (range 11)	\$14.46/hour
Correctional Officer II (range 13)	\$16.37/hour

That doesn't include benefits, but we are having a hard time filling all of our positions with qualified people right now. How could the private sector do any better at a lower wage? If you think that's too much money I challenge you to spend 3 or 4 hours on a Friday night at the 6th Avenue jail and see if you'd like to do what these officers do for what they get paid.

I note that "nothing in this Act precludes operation of the correctional facility by a private third party contractor composed of persons employed by the Department of Corrections". Wouldn't it be a monstrous conflict of interest for a Corrections employee to be involved in contracting as a private prison contractor?

I hope I've given you some issues to think about. There might be a place for privately run jails or prisons in Alaska, but surely not at the magnitude being suggested.



Alaska State Legislature

Please enter into the record my testimony to the House Judiciary Committee
committee name
 committee on 18428/429 , dated Jan 31, 1996
bill/subject

I have been a correctional officer for 17 years, and I do not think privatization is a good idea. Especially from the standpoint of the officer, and the private sector.

Signed: David G. Harrison
 Testifier
myself
 Representing (Optional)
P.O. Box 3355 Kenai, Ak 99611
 Address
907-283-7002
 Phone No.



ALU

Post-It® brand fax transmittal memo 7671		FAX NO. 3014000040	# of pages 2
To: <u>Rep. Pante.</u>	From: <u>ALU LIO</u>		
Co: <u>State Judicial Center</u>	Co:		
Dept:	Phone #		
Fax #	Fax #		

CURE

PLEASE ENTER INTO THE RECORD MY TESTIMONY TO THE H. Judiciary COMMITTEE NAME

COMMITTEE ON HB 428/429

DATED 1-31-96

BILL/SUBJECT

while I found these two bills interesting reading at best, I do want to address several key concerns that this legislation fails to address.

* Public Safety & Liability The state of Alaska remains liable for all aspects of the operations of Correctional facilities/responsibilities. The public needs to be aware that this legislation does reduce the current requirements/training held by state Correctional Officers - Any contractor should be required to fully inform the public of their history and record in this field.

* Accountability - Ethics language needs to be included.

* Cost Savings & Economic Stability

This legislation does not include a requirement to ensure a cost savings to the state. It ^{could not achieve} can be devastating to the economy of other areas of the state.

* State Employees - while I applaud the sponsor for the inclusion of a job project labor agreement which is meant to secure decent working conditions and wages for the employees working on the (over)

SIGNED Kelly E. Brown

TESTIFIER

ASEA / AFSCME Local 52

REPRESENTING (OPTIONAL)

315 Barnette, Fairbanks AK 99701

ADDRESS/PHONE NUMBER

Construction of the facilities I find it disturbing and an insult to the 800 Alaskans, across the state, currently working within correctional facilities that the sponsor did not offer the same conditions on their behalf.

While some may think public employee bashing is appropriate on the campaign trail, it is totally inappropriate to be incorporated in legislation for the State of Alaska.

Offer an alternative
your review.

2
ju

Legislation allowing for funding of feasibility studies of expansion possibilities to existing facilities across the state.

Thank you.

My name is Mary Culter, I am a nurse at Gmom Creek Correctional Center. I have also worked at the Siba Pioneers and have come to this hearing during my vacation because I honestly feel privatizing correctional facilities would be a mistake for some of the following reasons:

① Public safety would be at risk. Currently, the security personnel are a high quality individual, many with degrees, past experience in law enforcement or the military. Some said security personnel may be less intelligent than the criminals they are controlling.

② Privatization would not decrease costs, other institutions that have privatized have not realized decreased cost.

Mary Culter



Alaska State Legislature

Please enter into the record my testimony to the House Judiciary Committee
committee name
 committee on HB 428/429 dated 31 Jan 90
bill/subject:

I am totally against any privatization
 of Correctional facilities. The housing
 and care of prisoners should remain in
 full control of the state. Many other
 states have tried private jails and it has
 failed over and over. This is not the type
 of jobfield that can or should be run for profit.

Signed: Samuel Burchell
Testifier

self

Representing (Optional)

PO Box 471 Kenai, Alaska 99611

ADDRESS

262-4029

Phone No.

P.O. Box 1587
Kenai, AK 99611
January 31, 1996

House Judiciary Committee
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Rep. Brian Porter, Chair

Dear Rep. Porter

We have reviewed HB 428 and 429 and feel that the communities of this State need a comprehensive explanation of what the bills are expected to accomplish; what the true costs will be; what the impact upon the smaller prisons will be; if there are any long-term family impacts; and what the general emphasis of the State of Alaska is and will continue to be. The House Concurrent Resolution 19 dealing with the establishment of a TASK FORCE on CORRECTIONS must fit in somewhere.

Please schedule a hearing on this proposal (HB 428 & 429) in communities on the Kenai Peninsula so that our people will be able to give a fair judgement on whether or not to support these efforts.

Thank you,

Joan Bennett Schrader
Joan Bennett Schrader
State Vice President
Coalition of Labor Union Women
(907) 283-4359



cc: CLUW
KFCLC



ALASKA STATE EMPLOYEES ASSOCIATION
AFSCME Local 52, AFL-CIO

January 31, 1996

Representative Brian Porter, Chair
JUDICIARY COMMITTEE
State Capitol, Room 118
Juneau AK 99801-1182

RE: HB428 and 429, January 31, 1996, ASEA/AFSCME Local 52
Testimony

Dear Representative Porter:

Thank you for the time and opportunity to present ASEA/AFSCME Local 52's considerations and concerns at today's Judiciary Committee hearing. We appreciate your efforts at allowing us to testify on this very important policy shift being considered by your committee.

Enclosed you will find a copy of the testimony of Mr. Russ Clemmons, an AFSCME International Labor Economist who is a recognized specialist in the area of government privatization; similarly, you will find a copy of the testimony of Mr. Marc Antrim, a Correctional Officer III at the Lemon Creek Correctional Facilities; and, finally, you will find a copy of the testimony of Mr. Gary Sampson, a Correctional Officer II at the Spring Creek Correctional Center in Seward.

We thank you for your attention and consideration and stand ready to provide you with any information that the Committee would like to have regarding the issue of building a private prison in Southcentral Alaska.

Sincerely,

Charles L. O'Connell
Business Manager
ASEA/AFSCME Local 52

CLO/bhc
enclosures (3)

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TOLL free: 800-478-ASEA

JUNEAU OFFICE
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Juneau, AK 99801
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TOLL free: 800-478-0049

FAIRBANKS OFFICE
315 Barnette Street, Suite 104
Fairbanks, AK 99701
(907) 452-2300 FAX (907) 452-2307
TOLL free: 800-478-2305

EXCERPTS OF TESTIMONY

LEGISLATIVE TELECONFERENCE 1/31/96 and 2/2/96

RE: HB428 AND HB429

DAY 1

(Tape 1, R0770, 2:40 p.m.)

TESTIMONY OF RUSSELL CLEMMONS, AFSCME INTERNATIONAL

CHAIRMAN PORTER: I would like to go next to Juneau here and ask a couple of people at the top of the list to testify perhaps another point of view. Could we ask if Russ Clemmons is available to come forward.

Russ, welcome. Could you give us your name and affiliation for the record and your testimony, please.

CLEMMONS: My name is Russell Clemmons. I work as a Labor Economist for the Department of Research and Collective Bargaining Services for the American Federation of State, County, and Municipal Employees (AFSCME), which is the national union for ASEA Local 52 here in Alaska.

Mr. Chairman, Members of the Judiciary Committee, I want to thank you on behalf of the one million members of AFSCME and the 75,000 State Correctional Officers that we represent, for the opportunity to speak here today on this proposed legislation.

The issue of prison privatization, as you may suspect, is one that concerns us because of its implication for public policy. The appeal of prison privatization is an alluring yet beguiling one. In theory, it is a relatively simple proposition: "build cells, cut costs, and we pass the savings on to government." In reality, however, belies the simplicity of the theory.

The twin imperatives of cutting costs and filling cells translates, most often, into cutting corners in the operation of a prison, both of which has severe consequences that have manifested themselves in several ways, and which ought to be of concern to you

1 as members of this committee, as a Legislature as a whole.

2 The problems with security and escapes have characterized
3 private-operated prisons from the beginning. AFSCME has not been
4 the only one that has questioned the consequences of prison
5 security of introducing the profit motive into the management and
6 operation of prisons. Five men, including one charged with
7 stabbing a woman to death, escaped from the privately operated Bay
8 County, Florida, Jail. The reporters at the St. Petersburg Times
9 raised concern about privately operated prisons: Will a private
10 company supply adequate staff to maintain institutional security.
11 Will it have enough manpower to prevent escapes?

12 Others have expressed concern about the wisdom of
13 privately operated prisons, especially when it comes to security.
14 In fact, a much weighted audit of the privately operated South
15 Central Tennessee Correctional Center (SCCC), comparing it with two
16 state-operated prisons, found that 214 incidents of injuries
17 occurred at SCCC during a 15-month period; whereas, 72 such
18 incidents occurred at the two state-operated facilities combined.
19 Actually, security problems characterized this prison from its
20 beginning.

21 Between March of 1992 and April of that year, eight
22 escapes occurred at the prison, which also had other security
23 problems, ranging from finding an inmate with a handgun during a
24 routine search, and inmates begin inebriated in their cells. These
25 experiences prompted the Memphis Commercial Appeal to comment as
26 follows, "Tennessee's experiment with a privately operated medium
27 security prison looked lean and clean when reporters and officials
28 toured the new South Central Correctional Center. The problems
29 arrived with the prisoners. In view of the imperatives driving
30 prison privatization, these problems ought to come to no surprise,
31 since among the costs private corporations seek to cut are
32 staffing, which accounts for approximately 60 percent of the

1 operating costs of a prison."

2 Corrections Corporation of America slashed staffing by 17
3 percent of the Hernando County, Florida, Jail when it assumed
4 control of the facility. Inmate escapes in 1990 prompted the
5 County Commissioner to a cost and inspection by the national
6 Institute of Corrections, an agency within the United States
7 Department of Justice. The NIC identified understaffing as the
8 major problem at the jail and recommended that additional
9 Correctional Officers be hired. However, the comments of the Jail
10 Administrator (which is comparable to a warden or a superintendent)
11 officer, I think, a valuable insight into a corporation's
12 perspective regarding staffing a prison: "The County can agree
13 with adding guards, if they want to," the Administrator asserted,
14 "but that means the price of poker goes up, as far as you are
15 concerned."

16 Viewed from that perspective, it ought not be surprising
17 when one of the players folds and walks away from the game.
18 Shortly after Wackenhut Corrections Corporation assumed control of
19 the (inaudible) County, Florida, Jail in 1990, the county and the
20 state inspector informed the corporation that the state had
21 previously ordered eleven security posts staffed. Served with a
22 deficiency notice, the company increased its manpower to a level
23 that remained below state requirements. The company then billed
24 the county for an extra \$780,000 and demanded it would take an
25 additional \$2.6 million to perform the four-year term to contract.
26 The county refused, insisting that the corporation should have
27 known about the state's staffing requirements. Wackenhut
28 terminated the contract.

29 The loss of control is a danger when any public service
30 is privatized. When the function is essential to public safety, as
31 the Corrections System, the consequences are potentially ominous.
32 Yet, the drive to fill cells -- which is the other imperative by

1 which private corporations make money -- can have such
2 consequences.

3 A few years after having been awarded a contract to
4 manage and operate the Hamilton County, Tennessee, Penal Farm, the
5 Corrections Corporation of America notified county officials that,
6 because of overcrowding at the facility, it would no longer
7 indemnify or insure the county against lawsuits. We must speculate
8 the county attorney responded that, "Your action is a ploy to
9 coerce Hamilton County officials into constructing additional
10 facilities for the housing of the overflowing state prison
11 population, so that CCA may continue to reap monies for housing
12 these prisoners. If this position of the company is not reversed
13 or clarified without exception, we will have no recourse but to
14 consider this an act of default and consider remedies, including
15 contract termination."

16 Neither the Sante Fe County Commission nor the County
17 Sheriff were notified when the corporation operated the county jail
18 imported 54 inmates from the State of Oregon, to fill cells at that
19 facility. As things turned out, their backgrounds were not quite
20 what the community had been led to believe. None of the inmates
21 were supposed to have been convicted of a crime more serious than
22 armed robbery. In reality, the group included 11 murderers, 17
23 rapists, and 2 kidnappers. County officials asked that the inmates
24 be returned to Oregon. But only when threatened with the loss of
25 its contract did the company operating the prison agree to do so.

26 I would be remiss in my responsibilities as a
27 representative of AFSCME if I did not address the impact of prison
28 privatization upon employees.

29 Available information indicates that corporations pay
30 wages that are 6 to 19 percent lower and provide fewer benefits to
31 Correctional Officers than public jurisdictions.

32 "But isn't this a good idea?" you may wonder, because it

1 means lower costs and thus savings for taxpayers. Not necessarily,
2 for at least a few reasons.

3 John Donahue, who has been a Professor of Public Policy
4 at Harvard University notes in Prisons for Profit: Public Justice,
5 Private Interests that "Low wages comprises the quality of the
6 Correctional Officer labor force. Public Correctional Officers,"
7 John Donahue writes, "are more likely to be high school graduates
8 who work full-time, year-round in their jobs and to be of prime
9 working age. The employers who hire the private guard labor will
10 pay less, mostly, because they get less. The lower the labor cost,
11 the lower quality of labor force."

12 A study by the Urban Institute, comparing a privately
13 operated and a publicly operated prison in the State of Kentucky
14 confirms that staff of the state-directed institution were
15 significantly older, better educated, had worked with the facility
16 longer, and had wider correctional experience than the personnel of
17 the privately managed prison. Staff qualifications, the report
18 concluded, favor better performance from the publicly managed
19 facility. So perhaps you might wish to consider this.

20 Public employees are also citizens and taxpayers. We
21 spend our earnings in the communities where we work, we purchase
22 homes there, we bank there providing a pool of money with which to
23 lend others, we buy our cars there, and we support the numerous
24 small businesses that constitute the fabric of community life
25 throughout Alaska. Put another way: Our money stays in the
26 community; it doesn't go out of state and contribute to the profits
27 of others.

28 Secondly, after all is said and done, after corners have
29 been cut, staff reduced, accountability jeopardized, and paying
30 lower wages and fewer benefits, has prison privatization really
31 saved money for public jurisdictions?

32 After reviewing the literature on this issue, the United

1 States Government General Accounting Office (the GAO), an
2 independent agency that analyzes federal programs for Congress,
3 found that the evidence is inconclusive. Hardly a resounding
4 endorsement. In fact, a 1995 Tennessee audit, comparing the
5 privately operate medium-security prison with two of the state's
6 publicly operated prisons, found negligible savings. Impartial
7 observers have begun to question whether privately operated prisons
8 actually save money. "It is not easy to make a profit in that
9 business, so they have got to cut corners any way they can," says
10 Dennis Colombo, Criminal Justice Professor at Arizona State
11 University. "Private prisons may well cost more in the long run,
12 not only in terms of taxpayer money but also in the health and
13 safety of prison staff and other law enforcement officers."

14 At the very least, the serious doubts regarding the
15 efficacy of privately operated prisons ought to be of sufficient
16 concern, requiring a feasibility study pertaining to the
17 applicability of this idea to the State of Alaska. Such a study,
18 it would seem, would be essential before a policy decision is made
19 to privatize a prison; yet, the proposed legislation that you have
20 before you contains no provision for such a study.

21 The failure to privatize does not necessarily preclude
22 the state from addressing its problems regarding overcrowding. The
23 construction of a mega-facility is proposed in the bill may not
24 necessarily meet the needs of the entire state in this regard, as
25 some of our members can probably tell you, when they have the
26 opportunity to speak before you this afternoon. In view of a
27 system that has been developed around the idea of regionalization,
28 it may make more sense to consider the expansion of existing
29 facilities, which may also prove less expensive.

30 Thank you very much, Mr. Chairman, for the opportunity to
31 speak.

32 CHAIRMAN PORTER: Any questions?

1 REP. TOOHEY: If you had your druthers, would you
2 rather send the overcrowding outside or would you rather build --
3 have a private development?

4 I mean, supposing those were the only two issues.

5 CLEMMONS: The way you state the question,
6 Representative Toohy, is an interesting one. I think there are
7 some possible alternatives between each extreme that you state.
8 One of them, I think, as I have suggested: It may be possible to
9 construct on to additional facilities.

10 REP. TOOHEY: That wasn't the question.

11 CLEMMONS: I know, ma'am, but --

12 REP. TOOHEY: The question was, if you had your
13 druthers?

14 CLEMMONS: I guess I don't accept the two extremes
15 by which you state that.

16 CHAIRMAN PORTER: Representative Green.

17 REP. GREEN: Thank you, Mr. Chairman.

18 You indicated that one of the ways it might ultimately be
19 cheaper would be to segment the funds to expand existing
20 facilities, rather than have one facility?

21 CLEMMONS: I didn't use the word "segment,"
22 Representative Green.

23 REP. GREEN: Would that be what it does, if you
24 break up the funds to various places?

25 CLEMMONS: I'm saying --

26 REP. GREEN: Perhaps I should use some other word.

27 CLEMMONS: Perhaps.

28 REP. GREEN: In other words, you are suggesting,
29 though, that it would be better, perhaps, to expand the existing
30 facilities --

31 CLEMMONS: Maybe. It may be something that you
32 might want to consider.

1 REP. GREEN: What I am getting at is, we keep
2 hearing the reason that we spend so much here, one of the reasons,
3 that prison inmates cost so much here is because of the economy of
4 scale. And it seems to me that what you are suggesting would be in
5 opposition to that. Do you care to comment on that?

6 Is that a viable alternative, to expand existing
7 facilities?

8 CLEMMONS: It may be. We would be more than willing
9 to work with you and look at the numbers.

10 REP. DAVIS: I have a question.

11 CHAIRMAN PORTER: Representative Davis.

12 REP. DAVIS: Thank you very much.

13 I don't know if you can answer this, but I guess in your
14 experiences, because of your traveling all over the United States,
15 you must go and testify a lot on issues that have to do with
16 privatization of institutions. And can you tell me, when you go to
17 these places, is it usually to testify on an existing bill that is
18 already there or is it something that you go to try to help them
19 set up, looking at where they should go private or should they
20 remain the way they are, and what is the time line when you are
21 dealing with that?

22 I know that at some point we have to look at some of
23 these things. I'm not really sure what the Administration is doing
24 and where they are on the scheme of things, of trying to find out
25 what we are going to do about new facilities.

26 But can you just sort of sum of for me some of your
27 experiences?

28 CLEMMONS: Usually, Representative Davis, it's the
29 former; that is, we are asked to testify on a piece of proposed
30 legislation. And the process of doing that, we would like to
31 suggest perhaps some alternatives, suggest --

32 I think the way the debate is usually framed on this

1 issue is that, "We've got a problem; therefore, we must privatize."
2 And I guess what I am trying to say here is, I think there may be
3 a range of alternatives, that privatization very often is a knee-
4 jerk reaction, quite candidly. And I think there is a range of
5 alternatives, including, you know, let's keep -- if you are going
6 to build -- if it is necessary to build an existing facility, then
7 let's look at ways we can keep that facility public.

8 I don't necessarily subscribe to the idea that efficiency
9 and cost savings are the sole prerogative of the private sector.
10 I think public management can be as innovative -- I think I heard
11 a term described by one of the previous commentators or presenters
12 about innovation and creativity. Well, public management and
13 public employees can also be creative and innovative. That is not
14 the sole prerogative of the private sector.

15 CHAIRMAN PORTER: Thank you, Russ.

16 CLEMMONS: Thank you.

17 (end of excerpt/bhc)

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EXCERPTS OF TESTIMONY

LEGISLATIVE TELECONFERENCE 1/31/96 and 2/2/96

RE: HB428 AND HB429

DAY 1

CHAIRMAN PORTER: Could I ask -- Marc Antrim?

TESTIMONY OF MARC ANTRIM, COIII, ASEA/AFSCME Local 52

(Tape 1, R1309, 2:55 p.m.)

CLEMMONS: Marc, welcome.

ANTRIM: Thank you very much, Chairman Porter, for allowing me the opportunity to speak.

My name is Marc Antrim. I am a Correctional Officer III, a Sergeant at Lemon Creek Correctional Center. I have been a Sergeant for about six years, a Correctional Officer for 13.

I want to start by saying that Correctional Officers across the state applaud the Legislators' efforts the last few years, passing stronger laws with stiffer sentencing. We collectively believe that, you know, these laws are going to have a very positive effect on public safety in the state, and basically make Alaska a safer place for everybody to live.

However, I've got to tell you, House Bills 428 and 429 we see as a mistake. What we have here is a collision, a head-on collision, of two very basic values in our society: private enterprise and public safety. The big value, the most prime value in private enterprise is, really, "What is the bottom line?" Unfortunately, you are talking public safety. The bottom line is a very tough thing to get at.

These bills, as I see them anyway, are kind of a fiscal shell game. It costs the Department of Corrections \$105 per day, Representative Mulder just testified it was \$107 -- and I will take him at that. That is a large amount of money, a lot of money. However, it is also a pretty honest figure as we see it.

1 House Bill 429 states that it will only hold male and
2 female prisoners that have been classified. Okay, so basically
3 here is what you're not going to get for your \$100 million: This
4 new prison won't be a booking facility. That is what Anchorage is
5 screaming for. This won't do it. Booking facilities processing
6 people into our system is very expensive. You've got all kinds of
7 unknown factors that contribute to that expense. You've got to be
8 finger-printed. These people have got all kinds of drug problems,
9 diseases, people detoxing, fighting. I mean, go down to Sixth
10 Avenue sometime and just spend the evening down there and you will
11 see exactly what I am talking about. This affects the bottom line
12 in a very big way. You know, CCA or Wackenhut, they are not going
13 to want to get into this. This is not what their intent is here.

14 Conversely, too, this new prison probably is not going to
15 handle anything that has anything remotely to do with pre-trial
16 operations, like Cook-Inlet or like any of the other facilities
17 around the state that handle this function. Pre-trial people, they
18 break into the system, their lives are over for an extensive period
19 of time; they need special services. They need a lot more
20 visiting time. They need a lot of visits with their attorneys.
21 After every visit with their family members or after an attorney
22 visit, they need to be strip-searched. This is a very work-
23 intensive kind of thing.

24 These folks, they are not going to be interested in
25 providing this service to us. Again, it affects the bottom line.

26 House Bill 429 stipulates directly that this is not going
27 to house maximum security prisoners. Well, there is pretty sound
28 reasoning behind that. These people break a lot of things. There
29 is assault of the staff, there is assault of the other prisoners.
30 We have to house them in single cells at Lemon Creek, and they have
31 to do the same thing down at Spring Creek in Seward because they
32 are so dangerous to be around; hence the term, "maximum security."

1 Well, these folks aren't going to be interested in doing
2 that, either.

3 This facility probably won't house any prisoners that
4 require any special services. So our wing at Cook-Inlet, for
5 example, it houses prisoners of special needs; for instance, mental
6 health. You are not going to see something like here because,
7 again, it is very, very expensive.

8 The bills say they are going to house female offenders;
9 but, I think when they really take a look at that, they are going
10 to try to get away from that as quickly as they can. Because, what
11 we've found at Lemon Creek (now being designated as the long-term
12 sentence female facility for the state), women have got a very
13 different set of needs than do long-term male offenders; and we've
14 found it is very expensive to manage those needs. So I think you
15 will probably find them dumping this very quickly, if they even get
16 into it at all.

17 The facility -- one aspect I think you will find, too,
18 that's very unique (as we found with Arizona that was operated by
19 CCA), anybody that gets out of line or is for any reason
20 unmanageable, well, guess what they do? They go back to "the real
21 prison." Okay? They ship them back. I think the figure is at 25
22 to 30 people right now that they shipped back for a variety of
23 reasons.

24 So basically what we have here, probably in addition to
25 along the way, all the medical expenses are being picked up by the
26 state, all the transportation expenses (to and from the Arizona
27 facility, for example) are being picked up by the state or the U.S.
28 Marshall Service.

29 And imagine, if you will -- at Lemon Creek, which is
30 where my experience has been, we run two to three medicals per day
31 from that facility, using our Prisoner Transportation Officers, to
32 local medical service providers in the city -- imagine, if you

1 will, how many medicals are going to have to be run for a thousand-
2 bed facility. You are talking probably close to 100 a day, maybe
3 50 a day, for x-rays, these kinds of things. It's staggering.

4 Basically what this will do is just shift all these
5 costs. All these things have to be done. People have got to be
6 booked, there is going to be maximum security prisoners. All these
7 costs are going to be shifted off of this new private facility,
8 right back onto the state. So what is going to happen to our cost-
9 per-day figure? It is going to go higher. It's a losing
10 proposition.

11 So what we end up with here is basically a facility with
12 1000 beds in downtown Anchorage that doesn't do anything we need it
13 to do.

14 What we would like to propose, I think, is several
15 smaller capital construction projects, site-managed, I guess, if
16 you will, the construction at existing facilities around the state
17 that put the beds where they need to be. Because, part of the
18 reason we have to transfer people around all the time is for
19 release, and this kind of thing. Your savings in doing that is
20 lower overhead: you only have to build one kitchen. Your kitchen
21 already exists at Lemon Creek. If you add another 30 or 40 beds,
22 that is an expense you don't need to deal with; and staff can
23 absorb those kinds of increases very easily.

24 I guess all this is really secondary, though. I guess
25 the fiscal impact of these proposed bills are secondary, to me, in
26 terms of the risk to public safety that this facility poses. All
27 the concrete, razor wire, bars, electric gates, we've got
28 spotlights, searchers, electric sensor systems, all these things,
29 are really secondary to a good staff.

30 A good staff working inside your prisons keeps things
31 from getting out of hand inside. It keeps escapes from happening.
32 What this bill does is allow a private corporation to staff a

1 prison with private security guards. Private security guards do a
2 real good job of patrolling the shopping malls; but, as I am sure
3 it not too big a stretch of your imagination to understand,
4 shoppers and kids running through a mall are a whole lot different
5 than prisoners walking down a security hallway, convicted felons.
6 I mean, it's apples and oranges there.

7 As I understand it, these private security guards, as
8 Representative Mulder says, are going to meet the Police Standards
9 Council, they will have the same standards we do currently. I
10 don't see how it is possible, frankly. I don't see it.

11 We've got a number of open positions right now we
12 couldn't fill if we wanted to. We've got, I think, 30 to 40
13 positions, something in that neighborhood. I know our facilities
14 are all grossly understaffed right now, and it is not because we
15 don't want to fill the positions. People are just not there. We
16 start out with a group of 150 people when we decide to have an
17 academy, and we will be lucky if we can get 25 to actually qualify
18 to go through this thing; because, right now new COs are -- a
19 person wanting to be a CO has the same standards as a person
20 wanting to be a police officer. They have to undergo an extensive
21 background check, they've got to pass a mental health screen --
22 well, a whole battery of psychological testing. Then, they get to
23 do an interview. If they pass the interview, we recommend them to
24 go to the academy. They get through the six-weeks basic academy,
25 they are sent to a facility where they have to go through a three-
26 month Field Training Officer Program. If they get through that,
27 they have to go on and complete a one-year probationary period.

28 We got to this system for a reason. What we are talking
29 about in this bill is going back to something where we are
30 basically hiring people off the street. Although the bill says
31 that the standards will be the same, we cannot find people that
32 meet those standards now and I don't know where we are going to

1 find another 300 people to staff a 1000-bed facility. I just don't
2 see it.

3 Essentially, I guess behind all these, too, is the State
4 assume all the liability for this place. I've got a good friend
5 who is in insurance; he's an insurance adjuster here in town. He
6 did a scan on the data base around the country and found that none
7 of these places are currently underwritten by a major insurance
8 operation. They are all self-insured, using their own assets; or,
9 which is generally the case, the government agency they work for
10 assumes the liability for them. That is something we need to
11 consider here. Because, when you pay less, you do get less.
12 Turnover is going to be high.

13 I guess we have to ask: Are these private security
14 guards going to jump in and break up fights inside the facilities?
15 And if they don't, is the state going to be sued because they
16 don't?

17 Are they going to be willing to terminate escapes?
18 Really think about what that means. Are these people going to
19 shoot somebody that is trying to get over the fence? I mean, are
20 they really willing to do that for eight bucks an hour, ten bucks
21 an hour, fifteen bucks an hour with no benefits? I don't know. I
22 mean, what kind of people are you going to attract to do this job?

23 I guess in closing, you've got a lot of staff members to
24 work for you on this committee. Please ask them to do some
25 research. Okay? Don't just -- Wackenhut and CCA will paint a
26 very, very good picture of these facilities. They will do a good
27 selling job on you, and I know they've got a lot of good
28 information out there. They do have a lot to offer. But what I
29 would ask you to do is to do some research through the periodical
30 indexes, check out the newspapers of towns where these facilities
31 exist right now and see what these people have to say. I think you
32 will find what I've read so far -- and I've read just a little bit

1 -- is that the citizens in these places are very, very concerned.
2 They are concerned about staffing, they're concerned about escapes.
3 These aren't just concerns about what if, what might happen. These
4 things have happened there. They have had a lot of violence in
5 these places because they are understaffed, experience is lacking.
6 I guess this is all I can ask.

7 Thanks very much for your time. Do you have any
8 questions?

9 CHAIRMAN PORTER: Marc, thank you very much.
10 Representative Bunde?

11 REP. BUNDE: Thank you.

12 Just correct my assumption if it is wrong. I understand
13 your concerns about not booking and pre-trial and about women and
14 this raising the costs. Did I understand, then, that if you as a
15 state employee worked at a state facility that didn't do those
16 things, that then that cost would come down?

17 ANTRIM: Absolutely, absolutely. You bet, you bet.
18 Because, what you're looking at is, a \$107-figure is an average of
19 what it costs all our facilities. Obviously, it is more expensive
20 out in Bethel to operate.

21 At Lemon Creek, for example, we just did a recent study
22 as part of a new program we started out there. We found it was \$77
23 a day to house at Lemon Creek, and that is totally inclusive of all
24 these various things, medical costs being probably the largest
25 component, and transportation. You know, these expenses are
26 static. This \$59 a day that we're paying in Arizona, that doesn't
27 cover it. Okay? It does not cover it.

28 CHAIRMAN PORTER: If that all, Representative Bunde?

29 REP. BUNDE: You also mentioned, eight, ten, fifteen
30 dollars an hour and that you have a gap. What would you have to
31 offer as a wage to fill that gap?

32 ANTRIM: I would have to offer -- I don't want to

1 slide out of the question. I would have to say you would have to
2 offer whatever it would take to get people of caliber, of quality.
3 I mean -- I guess I have to look to the people we turn down to fill
4 the positions we have now. I mean, apparently the idea here is
5 that we are so grossly overpaid that we're just a big white
6 elephant that needs to be eliminated. Why do we have so many open
7 positions? I guess that is kind of the rhetorical thing I want to
8 ask here. I mean, it's not because we don't want to fill these
9 positions. Believe me, our staffs are so overworked. I mean, we
10 want to get people into these spots, but the folks are just not
11 there in the community.

12 And I think it is responsible for us to have this --
13 people around the state like these standards because it eliminates
14 a lot of things, the potential for prisoner abuse. I mean, we've
15 got gun towers at our facility. You don't want somebody that is
16 less than totally stable handling a .38 rifle. I'm sorry, that's
17 just not a good picture. Okay?

18 So I guess I would want to pay whatever it would pay. I
19 think we're there right now. I think we're there right now.

20 REP. BUNDE: I certainly don't want your job; I
21 understand. They would have to pay me a great deal to do that.
22 But again, the positions are unfilled, but yet you say you are at
23 that level now. So does it need another \$5 an hour? What does it
24 need?

25 ANTRIM: I don't know. I honestly can't answer.
26 Sorry.

27 CHAIRMAN PORTER: Representative Toohey?

28 REP. TOOHEY: Thank you.

29 Would you give the approximate salary of a level-entry
30 guard at one of the facilities -- at Lemon Creek, after training.
31 What is the base entry salary?

32 ANTRIM: Uh --

1 REP. TOOHEY: Please answer my question. Nobody
2 seems to want to today.

3 (Laughter)

4 ANTRIM: I want to, okay?

5 (Laughter)

6 I want to answer.

7 It's a Range 13, is what it is.

8 REP. TOOHEY: Range 13.

9 FROM THE COMMITTEE: You can look it up in the
10 salary schedule.

11 REP. TOOHEY: That's what I say, I don't have the
12 book.

13 ANTRIM: It's a Range 13 on the Correctional Officer
14 schedule.

15 REP. TOOHEY: A Range 13.

16 FROM THE COMMITTEE: It's a different scale from
17 ours.

18 FROM THE COMMITTEE: Oh, it is a different scale
19 than ours?

20 ANTRIM: It's a Range 13, and it is on an 84-hour
21 workweek. So it is --

22 FROM THE COMMITTEE: It's different, the workweek?

23 ANTRIM: Yes.

24 FROM THE COMMITTEE: You're not talking about a
25 whole lot of money.

26 ANTRIM: I think it's about 13 or 14 bucks an hour.

27 CHAIRMAN PORTER: Maybe you guys can come up with
28 that information and pass it along?

29 ANTRIM: Oh, absolutely. I can forward that to all
30 your offices.

31 CHAIRMAN PORTER: Let me -- before we have anymore
32 questions -- let me just tell the audience and the people on the

1 teleconference that it is past the time this committee runs
2 already, and I have convinced my members to stay here till 3:30,
3 which is a half an hour into other commitments, including mine and
4 Representative Green's; but we will do that. But that is far as we
5 can go today. We will continue Friday with this one, since we are
6 on such a roll. And, hopefully, anybody that can be with us on
7 Friday that isn't able to testify today can do that.

8 Representative Green, go ahead and ask one more question.
9 But what I am going to ask after that is, if there is anybody here
10 in Juneau that is here from out-of-town to testify on this bill --
11 after this question -- please raise your hand and I will try to get
12 you in and out so that you can go.

13 REP. GREEN: You mentioned -- and I am sure this can
14 be accomplished -- the difference between the cost that is being
15 shown for incarceration now out-of-state and what the additional
16 medical and transportation, what that boils down to. Was that like
17 a five-dollar or a fifteen-dollar bid, some rational number that we
18 could add onto shipping them outside?

19 I know you may not have it now, but can you get that for
20 us?

21 ANTRIM: I can probably get that for you, yes, I
22 could. Yes, Representative Green.

23 REP. GREEN: We've been doing it, so --

24 ANTRIM: Yeah, okay. I will try to get that to you
25 as soon as I can.

26 REP. GREEN: Okay.

27 ANTRIM: Thank you again.

28 CHAIRMAN PORTER: Marc, thank you very much.

29 (end of excerpt/bhc)
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EXCERPTS OF TESTIMONY

LEGISLATIVE TELECONFERENCE 1/31/96 and 2/2/96

RE: HB428 AND HB429

DAY 1

(Tape 1, R2587, 3:25 p.m.)

CHAIRMAN PORTER: Okay. We've got ten minutes.

What I will try to do is ask -- go around the state here, and in ten minutes ask if you could just keep your comments to about two minutes. And we will first start just at the top of my list, we have Gary Sampson in Seward.

Gary, are you still there?

SAMPSON: Yes, I am.

CHAIRMAN PORTER: Gary, could we have your testimony and your affiliation, please.

TESTIMONY OF GARY SAMPSON, COII, ASEA/AFSCME Local 52

SAMPSON: Yes. My name is Gary Sampson. I am the Corrections Representative for the Alaska State Employees Association.

The introduction of these bills is a cause of great alarm for us, and should be for all citizens of the state. As we see the costs of prisons's operations rising everywhere across the country, we realize that there is no quick, cheap fix for correctional problems. The desire to cut costs, however, should not be, cannot be the primary concern of Corrections. Quality of service, safety and security must be the primary concerns.

I've traveled throughout the country talking to Correctional officials and I am confident to state that the quality of service provided by the Alaska Department of Corrections is the best in the country. They operate a safe, secure prison system, which is free of corruption, and treat the prisoners humanely, and has a very high caliber employee. It is doubtful that this

1 standard will be matched by any private company. Incidents in
2 private facilities across the country require that you look beyond
3 the pie-in-the-sky sales pitches of private corporations. You need
4 to look at the facts.

5 Throughout the country it has been noted that privately
6 run facilities are frequently compromised on security in an effort
7 to maximize profit. Since labor makes up about 60 percent of the
8 operational costs of a correctional facility, reducing staff and
9 limiting training seems to be a vital part of the strategy of
10 private corporations that operate prisons. There are often
11 dramatic increases in escapes and assaults in privately run
12 facilities. This is caused by the lack of sufficient, well-trained
13 and competent employees, again in an attempt to increase profits at
14 the public expense. It is not possible to reduce labor cost
15 without debasing the quality of the workforce and, with it, the
16 conditions of confinement for prisoners. In an effort to reduce
17 costs, inmates services are cut, often in violation of the
18 contracts which they have made with the state. These programs are
19 often essential for the reformation of prisoners. Many times,
20 inmate medical services have been cut, which have led to many
21 lawsuits.

22 On top of all this is the basic fact that there is little
23 evidence that a privately run facility saves any money over a
24 publicly run facility. Numerous studies by the National Institute
25 of Justice, the National Institute of Corrections, the General
26 Accounting Office among others, have concluded that there were no
27 significant savings in going private. And in fact, many private
28 prisons may well cost more in the long run, not only in dollars but
29 also in the health and safety of prison staff and other law
30 enforcement officers.

31 Remember that the primary purpose of Corrections is to
32 provide a public service and to provide for the public security.

1 The primary purpose of a private company is to make a profit; and
2 these two purposes are contradictory. The one has served our
3 citizens well; the other will put our society in jeopardy.

4 As we have indicated, our organization, ASEA and AFSCME,
5 will be happy to work with you in providing alternatives that may
6 be a more viable solution to the problem than looking to private
7 companies.

8 Thank you very much.

9 CHAIRMAN PORTER: Thank you, Gary.

10 (end of excerpt/bhc)

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Date of Committee Action: 2/2/96

The JUDICIARY Committee considered:

HB 428

HOUSE BILL NO. 428

LEASE-PURCHASE CORRECTIONAL FACILITY

"An Act giving notice of and approving a lease-purchase agreement for construction and operation of a correctional facility in the Third Judicial District, and setting conditions and limitations on the facility's construction and operation."

recommends it be replaced with the following committee substitute CSHB 428 the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) DOT/RECORATIONS fiscal note(s) _____

Revenue/Administration
 zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<u>Priscilla Porter</u>	✓			
<u>Don Bonds</u>	✓			
<u>Joseph [unclear]</u>			✓	
<u>[unclear]</u>	✓			
<u>Michael [unclear]</u>		X		
<u>Betty [unclear]</u>		X		

CHAIR'S SIGNATURE _____