

HB

149

HFIN

FILE

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: HB 149
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Private Prison in Kenai BRU: Revenue Operations
 Component: Treasury

Sponsor: Representative Chenault
 Requester: House State Affairs Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel	20.0	10.0				
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	20.0	10.0	0.0	0.0	0.0	0.0

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

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002-Federal Receipts						
1003 GF Match						
1004 GF	20.0	10.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	20.0	10.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Deven Mitchell, State Debt Manager
 Division: Treasury
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone 465-3750
 Date/Time March 14, 2001, 1 p.m.
 Date 03/14/2001

**Department of Revenue
Fiscal Note for HB 149**

This legislation authorizes the Department of Corrections to enter into an agreement with the Kenai Peninsula Borough to lease facilities for the confinement and care of prisoners. The lease would be for at least 20 years and provide at least 800 prison beds with no limitation on cost of the facility or cost of prisoner care. The lease must provide for an agreement between the Kenai Peninsula Borough and a private third-party contractor to construct and operate the facility. The legislation provides no requirement to use tax-exempt financing, no maximum lease term, no maximum annual lease payment amount, and no maximum project size in either dollars or number of prisoners to be housed at the facility.

The bill as drafted would make it quite unlikely that the facility could be financed on a tax-exempt basis. This means that any financing will carry interest rates approximately 2% higher than rates the state normally pays for financing public facilities. Based on the project estimates of \$60 million to \$125 million, paying a taxable rate of interest would increase the cost of the project financing from \$16 million to \$32 million. In order to minimize the cost to the state (reducing interest expense), the legislation should be redrafted in a way that would permit the use of tax-exempt financing. The current draft does not sufficiently circumscribe the role of the private third-party contractor to permit the borough to comply with "private use" and "management contract" guidelines of the Internal Revenue Service.

Additional concerns that should be addressed:

- No maximum capital expenditure for the facility is established.
- No maximum lease term is specified.
- No maximum lease payments are identified.

While the state's lease payments will be the security for the bonds, there is no specific provision for the State Bond Committee to participate in structuring the financing. The state's credit is involved as purchasers of the bonds look to the underlying source of revenues for bond payments when determining risk. As the source of revenues will be the lease payments of the state to the borough the "credit trail" leads to the state and its ability to make future lease payments. The foundation upon which the state has built credit ratings has been the centralized control of the state's credit through the State Bond Committee. To the extent we deviate from this policy, continued strong ratings of the state become more difficult to retain.

Accordingly, similar to the Anchorage jail transaction, it is anticipated that the State Bond Committee will actively participate in structuring the transaction with the Kenai Peninsula Borough. The \$30,000 in the fiscal note is to cover the state's expenses in this transaction.

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: 2
 Bill Version: HB 149
 (H) Publish Date: 3/22/01

Title: An Act relating to correctional facility space and to authorize the DOC to enter into agreement.....

Dept. Affected: CORRECTIONS
 BRU: Administration and Operations
 Component: Office of the Commissioner

Sponsor:
 Requester: State Affairs/ Finance

Component Number: 694

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	71.0	71.0	71.0	326.0	255.0	255.0
Travel	5.0	5.0	5.0	5.0	0.0	0.0
Contractual	85.0	75.0	75.0	95.0	90.0	90.0
Supplies	1.5	1.5	1.5	1.5	0.0	0.0
Equipment	3.0	0.0	45.0	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous				1,210.4	477.5	477.5
TOTAL OPERATING	165.5	152.5	197.5	1,637.9	822.5	822.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
1002 Federal Receipts						
1003 GF Match						
1004 GF	165.5	152.5	197.5	1,637.9	822.5	822.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	165.5	152.5	197.5	1,637.9	822.5	822.5

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

POSITIONS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Full-time	1	1	1	10	10	10
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill allows the Commissioner of the Department of Corrections to enter into a Twenty-Year agreement predicated on an agreement with a private third-party contractor who will construct and operate the facility by providing for custody, care, and discipline for persons held by the commissioner of corrections under authority of state law. The agreement must be for a minimum of 800 prison beds and contain terms providing the commissioner of corrections may terminate for cause, and the commissioner may not enter into an agreement with an agency unable to provide or cause to be provided a degree of custody, care, and discipline similar to that required by the laws of Alaska.

DOC will require a Long-term Project position- Facilities Manager I to interface with the local government project during design and construction phases and through 1st year operations. Position costs \$71.0 per year through FY2005 and requires an additional \$14.5 of support costs for FY2002 and \$11.5 for FY2003-2005.

(CONTINUED ON PAGE 2 of 2)

Prepared by: Candace Brower
 Division: Administrative Services
 Approved by: Margaret M. Pugh, Commissioner
 Agency: Department of Corrections

Phone 465-4652
 Date/Time 3/14/2001 3:45PM
 Date 3/14/01

For distribution information, call the Governor's Legislative Office

House Bill 149

"An Act relating to correctional facility space and to authorize the DOC to enter into agreement..."

Publish Date: 2/26/01

Page 2

As Corrections Group North has noted, "Management problems in private prisons are the result of poorly drafted contracts [and] lack of oversight." The Department of Corrections (DOC) requires funds to enable the Agency to hire a professional who will negotiate the necessary prisoner care and operational contracts with the Kenai Peninsula Borough and its third party Representative. These contracts are to ensure they provide a degree of custody, care, and discipline similar to that required by the laws of this state. Estimate approximately \$185 per hour X 430 hours = \$79,950 or \$80.0. This is the estimated amount that the Municipality of Anchorage spent on their contract negotiations for the New Anchorage Jail. The Department assumes that all necessary contracts would be completed in FY2002.

The DOC also requires funds to enter into a professional service agreement for contract compliance monitoring services for the new Kenai Jail. The DOC must be assured that the Third-Party Operator of the facility complies with all of its contractual requirements to prevent and defend against potential litigation and/or liability for the State of Alaska. Monitoring services would include development of the monitoring instrument to include all aspects of correctional practice, on-going monthly monitoring, and reporting requirements. The Department estimates approximately \$100 per hour X 700 hours per year = \$70.0 per year beginning in FY2003.

State oversight of the new Kenai Facility will require the following additional 4 Permanent full-time state staff in the Department's budget for the life of the contract: (Assume that staff will begin work FY2005)

Two Probation Officer II's @ \$65.0 per year = \$130.0
1 Nurse II @ \$65.0 per year
1 Internal Auditor II @ \$60.0 year
Support costs for 4 Positions @ \$5.0 per position = \$20.0

Data processing equipment will be needed to support DOC oversight staff and to interface with the new Kenai Jail with the Department's Management Information System. Data processing PC's, office equipment, miscellaneous equipment including the WAN/LAN connection. \$45.0 in FY2004

The DOC Transportation Section will require: four (4) additional Prisoner Transportation Officers based at the Kenai Jail (\$65.0 each X 4 = \$260.0) and one Officer in the Anchorage Central Office (\$60.0); safety and operating equipment for the five officers (\$14.9 Total One-Time); a new Van to transport prisoners back and forth from the Kenai Jail (\$30.0 one-time); travel and transportation funds to move prisoners from out of state to Kenai (one-time expenses of \$688.0); travel and transportation costs to handle routine needs at the facility (annual expenses estimated at \$12,500 per month X 12 months = \$150.0); and contractual services funds for miscellaneous equipment to support new officers, such as radios and weapons. (\$7.5).

Cost: \$1,210.4 (\$477.5 Annually starting in FY2005 and \$732.9 One-Time in FY2005.)

The DOC cannot presently calculate the new contractual service funds that will be needed to pay for the prisoner beds at the new Kenai Jail because sufficient information is not yet available. HB 149 only addresses the need for 800 beds for a minimum of 20 years agreement. We cannot speculate what the costs per day would be for each of the 800 beds. Thus, we can only submit an indeterminate amount for these services.

*Faded
H-4*

#6

AMENDMENT

OFFERED IN HOUSE FINANCE
TO: CSHB 149 (FIN)

BY: REP. ERIC CROFT

- 1) Page 2, Line 7 after "index." add

"It is also the intent of the legislature that the Department of Corrections not sign any agreement for a private prison until the litigation regarding the Delta prison has been finally resolved."

Failed
H-b

#1

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CROFT

TO: CSHB 149(FIN), Draft Version "R"

1 Page 1, line 4:

2 Delete "within the Kenai Peninsula Borough"

3 Insert "under certain conditions"

4

5 Page 1, line 9, following "through a":

6 Insert "publicly or"

7

8 Page 1, lines 10 - 11:

9 Delete "the Kenai Peninsula Borough for private"

10 Insert "a public or private entity for"

11

12 Page 1, line 12, following "state":

13 Insert "unless the state is able to provide those same facilities at a similar cost"

14

15 Page 1, lines 12 - 13:

16 Delete "a privately operated"

17 Insert "that this competition to provide a public or private"

18

19 Page 1, line 14:

20 Delete "a private"

21 Insert "the"

22

23 Page 2, line 10, through page 3, line 12:

24 Delete all material and insert:

1 "AUTHORIZATION TO LEASE CORRECTIONAL FACILITY SPACE UNDER
2 CERTAIN CONDITIONS. (a) The Department of Corrections may enter into an agreement
3 with a public or private entity to lease space within a correctional facility located within the
4 state that will house persons who are committed to the custody of the commissioner of
5 corrections. The department may enter into this agreement only after soliciting proposals
6 from public and private entities to provide the housing and after determining that the state
7 may not provide the housing at the same or a lesser cost in a facility to be constructed and
8 operated by the state. The agreement, if entered into, must provide that the state agrees to
9 lease the space for a minimum of 20 years.

10 (b) The agreement to lease to be entered into under this section is predicated on and
11 must provide for the public or private entity to construct and operate the facility by providing
12 for custody, care, and discipline services for persons held by the commissioner of corrections
13 under authority of state law.

14 (c) The authorization given by (a) of this section is subject to the following
15 conditions:

16 (1) the lease must have a minimum of 800 prison beds, and the lease payments
17 must be sufficient to cover

18 (A) the cost for the development and construction of the facility; and

19 (B) the operating costs for a minimum of 800 prison beds in the
20 facility.

21 (2) the agreement to lease must contain terms providing that the commissioner
22 of corrections may terminate the agreement if the commissioner finds that the entity has failed
23 to provide or cause to be provided the degree of custody, care, and discipline required by
24 terms of the lease agreement;

25 (3) the commissioner may not enter into the lease if the commissioner finds
26 that the entity is unable to provide or cause to be provided a degree of custody, care, and
27 discipline similar to that required by the laws of the state."

No 0B)

22-LS0436R.1
Luckhaupt
4/4/01

#2

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CROFT

TO: CSHB 149(FIN), Draft Version "R"

- 1 Page 3, line 16, following "Act.":
- 2 Insert "This applicability section does not affect the authority of the commissioner of
- 3 corrections to designate the correctional facility to which a prisoner is assigned."

NO OBJ

22-LS0436R.2
Luckhaupt
4/4/01

#3

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE CROFT

TO: CSHB 149(FIN), Draft Version "R"

- 1 Page 2, line 3, following "state":
- 2 Insert "but including the capital costs for construction of the facility, including debt
- 3 service"

Amendment

*Failed
4-4*

#4

Offered in House Finance

CS HB 149 (FIN)

Representative John Davies

Delete

Page 2, line 3-7

“outside the state) will be 18 – 20 percent less than the current average per diem for all state facilities as reported to the federal government for reimbursement purposes; should be approximately \$89 in current dollars; and from the passage of this Act, should be adjust annually for changers in the cost of operations as measured by the appropriate cost of living index.”

Add

Page 2, beginning line 3

“outside the state) will be 18 percent less than a comparable per diem for a state facility built and operated in Kenai and should be approximately \$80 in current dollars.”

121002

DEPARTMENT OF CORRECTIONS
Cost of Care
Arizona private vs. Kenal private
vs. Kenal state prison

DESCRIPTION	See Notes	ARIZONA OUT OF STATE COST OF CARE	See Notes	Kenal Borough Private Operated COST OF CARE		See Notes	Kenal Prison State Operated COST OF CARE	
				Private Cost	Private Cost		State Cost	State Cost
Design and Construction Cost				\$70,000,000.00	\$100,000,000.00	*1	\$77,000,000.00	\$110,000,000.00
Per-Diem Capitalization Cost				Capitalization Cost \$21.40	Capitalization Cost \$30.44		Capitalization Cost \$23.61	Capitalization Cost \$33.48
Per Diem		\$64.67		\$67.60	\$68.88	*2	\$66.92	\$66.92
Inmate Programs		Incl. In Contract		Incl. In Contract	Incl. In Contract		\$2.96	\$2.96
Subtotal:		\$64.67		\$69.60	\$69.60		\$69.88	\$102.36
Per diem rate if save 18% over State's costs				\$76.76	\$83.84			

71.95
80.00

w/D

#5

Amendment

Offered in House Finance

CS HB 149 (FIN)

Representative John Davies

Delete

Page 3, line 12

“custody, care, and discipline similar to that required by the laws of the state.”

Add

Page 3, line 12

“custody, care, and discipline similar to that required by the laws of the state, and that the correction employees shall meet the hiring standards of the correction officers of the State of Alaska.”

passed
amendment # 2
3

22-LS0436\R
Luckhaupt
4/3/01

CS FOR HOUSE BILL NO. 149(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES CHENAULT, Green

A BILL

FOR AN ACT ENTITLED

1 "An Act expressing legislative intent without the force of law regarding correctional
2 facility space; relating to correctional facility space; authorizing the Department of
3 Corrections to enter into an agreement to lease facilities for the confinement and care of
4 prisoners within the Kenai Peninsula Borough; and providing for an effective date."

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

6 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
7 to read:

8 **LEGISLATIVE INTENT.** It is the intent of the legislature to secure additional
9 correctional facility space through a privately operated correctional facility in Alaska. The
10 legislature expects the Department of Corrections to contract with the Kenai Peninsula
11 Borough for private prison services similar to those currently purchased for medium-security
12 Alaska prisoners in a private prison outside the state. The legislature anticipates a privately
13 operated correctional facility will bring competitive management styles and operations to
14 Alaska. The legislature expects that the initial per diem cost at a private facility (excluding

1 costs related to major medical, prescription medication, and transportation of prisoners and
2 other services excluded in contracts for Alaska prisoner care and custody in private facilities
3 outside the state) will be 18 - 20 percent less than the current average per diem rate for all
4 state facilities as reported to the federal government for reimbursement purposes; should be
5 approximately \$89 in current dollars; and, from the passage of this Act, should be adjusted
6 annually for changes in the cost of operations as measured by an appropriate cost-of-living
7 index.

8 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 AUTHORIZATION TO LEASE CORRECTIONAL FACILITY SPACE WITH
11 THIRD-PARTY CONTRACTOR OPERATION. (a) The Department of Corrections may
12 enter into an agreement with the Kenai Peninsula Borough to lease space within a correctional
13 facility located within the Kenai Peninsula Borough that will house persons who are
14 committed to the custody of the commissioner of corrections. The agreement must provide
15 that the state agrees to lease the space for a minimum of 20 years.

16 (b) The agreement to lease entered into under this section is predicated on and must
17 provide for an agreement between the Kenai Peninsula Borough and one or more private
18 third-party contractors under which private, for profit or nonprofit third-party contractors
19 construct and operate the facility by providing for custody, care, and discipline services for
20 persons held by the commissioner of corrections under authority of state law. The
21 commissioner of corrections shall require in the agreement with the Kenai Peninsula Borough
22 that the Kenai Peninsula Borough procure one or more private third-party operators through a
23 competitive process similar to the procedures established in AS 36.30 (State Procurement
24 Code). The adoption, by the Kenai Peninsula Borough exercising its powers under
25 AS 29.35.010(15), of Ordinance No. 2000-59, for procurement of land, design, construction,
26 and operation of a facility on a request-for-qualification basis satisfies the procurement
27 requirements of this subsection.

28 (c) The authorization given by (a) of this section is subject to the following
29 conditions:

30 (1) the lease must have a minimum of 800 prison beds, and the lease payments
31 must be sufficient to cover

1 (A) the cost for the development and construction of the facility; and
2 (B) the operating costs for a minimum of 800 prison beds in the
3 facility.

4 (2) the agreement to lease must contain terms providing that the commissioner
5 of corrections may direct the Kenai Peninsula Borough to terminate its contract with a private
6 third-party contractor operating the facility in accordance with the provisions of (b) of this
7 section if the commissioner finds that the private third-party contractor has failed to provide
8 or cause to be provided the degree of custody, care, and discipline required by terms of the
9 lease agreement;

10 (3) the commissioner may not enter into the lease if the commissioner finds
11 that the Kenai Peninsula Borough is unable to provide or cause to be provided a degree of
12 custody, care, and discipline similar to that required by the laws of the state.

13 * Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 APPLICABILITY. The provisions of AS 33.30.031(a) do not apply to an agreement
16 to lease a correctional facility in accordance with the provisions of sec. 2 of this Act.

17 * Sec. 4. Section 4, ch. 15, SLA 1998, and sec. 6, ch. 35, SLA 1999, are repealed.

18 * Sec. 5. This Act takes effect June 1, 2001.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 149
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Private Prison in Kenai BRU: Revenue Operations
 Component: Treasury
 Sponsor: Representative Chenault
 Requester: House State Affairs Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

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CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750
 Division: Treasury Date/Time March 14, 2001, 1 p.m.
 Approved by: Larry Persly, Deputy Commissioner Date 03/14/2001
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

**Department of Revenue
Fiscal Note for HB 149**

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The bill as drafted would make it quite unlikely that the facility could be financed on a tax-exempt basis. This means that any financing will carry interest rates approximately 2% higher than rates the state normally pays for financing public facilities. Based on the project estimates of \$60 million to \$125 million, paying a taxable rate of interest would increase the cost of the project financing from \$16 million to \$32 million. In order to minimize the cost to the state (reducing interest expense) the legislation should be redrafted in a way that would permit the use of tax-exempt financing. The current draft does not sufficiently circumscribe the role of the private third-party contractor to permit the borough to comply with "private use" and "management contract" guidelines of the Internal Revenue Service.

Additional concerns that should be addressed:

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While the state's lease payments will be the security for the bonds, there is no specific provision for the State Bond Committee to participate in structuring the financing. The state's credit is involved as purchasers of the bonds look to the underlying source of revenues for bond payments when determining risk. As the source of revenues will be the lease payments of the state to the borough the "credit trail" leads to the state and its ability to make future lease payments. The foundation upon which the state has built credit ratings has been the centralized control of the state's credit through the State Bond Committee. To the extent we deviate from this policy, continued strong ratings of the state become more difficult to retain.

Accordingly, similar to the Anchorage jail transaction, it is anticipated that the State Bond Committee will actively participate in structuring the transaction with the Kenai Peninsula Borough. The \$30,000 in the fiscal note is to cover the state's expenses in this transaction.

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See attached

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750
 Division: Treasury Date/Time March 14, 2001, 1 p.m.
 Approved by: Larry Persily, Deputy Commissioner Date 03/14/2001
 Agency: Department of Revenue

**Department of Revenue
Fiscal Note for HB 149**

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22-LS0436\R
Luckhaupt
4/3/01

CS FOR HOUSE BILL NO. 149(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Green

A BILL
FOR AN ACT ENTITLED

1 "An Act expressing legislative intent without the force of law regarding correctional
2 facility space; relating to correctional facility space; authorizing the Department of
3 Corrections to enter into an agreement to lease facilities for the confinement and care of
4 prisoners within the Kenai Peninsula Borough; and providing for an effective date."

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

6 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
7 to read:

8 **LEGISLATIVE INTENT.** It is the intent of the legislature to secure additional
9 correctional facility space through a privately operated correctional facility in Alaska. The
10 legislature expects the Department of Corrections to contract with the Kenai Peninsula
11 Borough for private prison services similar to those currently purchased for medium-security
12 Alaska prisoners in a private prison outside the state. The legislature anticipates a privately
13 operated correctional facility will bring competitive management styles and operations to
14 Alaska. The legislature expects that the initial per diem cost at a private facility (excluding

1 costs related to major medical, prescription medication, and transportation of prisoners and
2 other services excluded in contracts for Alaska prisoner care and custody in private facilities
3 outside the state) will be 18 - 20 percent less than the current average per diem rate for all
4 state facilities as reported to the federal government for reimbursement purposes; should be
5 approximately \$89 in current dollars; and, from the passage of this Act, should be adjusted
6 annually for changes in the cost of operations as measured by an appropriate cost-of-living
7 index.

8 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 **AUTHORIZATION TO LEASE CORRECTIONAL FACILITY SPACE WITH**
11 **THIRD-PARTY CONTRACTOR OPERATION.** (a) The Department of Corrections may
12 enter into an agreement with the Kenai Peninsula Borough to lease space within a correctional
13 facility located within the Kenai Peninsula Borough that will house persons who are
14 committed to the custody of the commissioner of corrections. The agreement must provide
15 that the state agrees to lease the space for a minimum of 20 years.

16 (b) The agreement to lease entered into under this section is predicated on and must
17 provide for an agreement between the Kenai Peninsula Borough and one or more private
18 third-party contractors under which private, for profit or nonprofit third-party contractors
19 construct and operate the facility by providing for custody, care, and discipline services for
20 persons held by the commissioner of corrections under authority of state law. The
21 commissioner of corrections shall require in the agreement with the Kenai Peninsula Borough
22 that the Kenai Peninsula Borough procure one or more private third-party operators through a
23 competitive process similar to the procedures established in AS 36.30 (State Procurement
24 Code). The adoption, by the Kenai Peninsula Borough exercising its powers under
25 AS 29.35.010(15), of Ordinance No. 2000-59, for procurement of land, design, construction,
26 and operation of a facility on a request-for-qualification basis satisfies the procurement
27 requirements of this subsection.

28 (c) The authorization given by (a) of this section is subject to the following
29 conditions:

30 (1) the lease must have a minimum of 800 prison beds, and the lease payments
31 must be sufficient to cover

1 (A) the cost for the development and construction of the facility; and
2 (B) the operating costs for a minimum of 800 prison beds in the
3 facility.

4 (2) the agreement to lease must contain terms providing that the commissioner
5 of corrections may direct the Kenai Peninsula Borough to terminate its contract with a private
6 third-party contractor operating the facility in accordance with the provisions of (b) of this
7 section if the commissioner finds that the private third-party contractor has failed to provide
8 or cause to be provided the degree of custody, care, and discipline required by terms of the
9 lease agreement;

10 (3) the commissioner may not enter into the lease if the commissioner finds
11 that the Kenai Peninsula Borough is unable to provide or cause to be provided a degree of
12 custody, care, and discipline similar to that required by the laws of the state.

13 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 **APPLICABILITY.** The provisions of AS 33.30.031(a) do not apply to an agreement
16 to lease a correctional facility in accordance with the provisions of sec. 2 of this Act.

17 * **Sec. 4.** Section 4, ch. 15, SLA 1998, and sec. 6, ch. 35, SLA 1999, are repealed.

18 * **Sec. 5.** This Act takes effect June 1, 2001.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 149
(H) Publish Date: 3/22/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Private Prison in Kenai BRU: Revenue Operations
Component: Treasury
Sponsor: Representative Chenault
Requester: House State Affairs Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Devon Mitchell, State Debt Manager Phone 465-3750
Division: Treasury Date/Time March 14, 2001, 1 p.m.
Approved by: Larry Persily, Deputy Commissioner Date 03/14/2001
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

**Department of Revenue
Fiscal Note for HB 149**

This legislation authorizes the Department of Corrections to enter into an agreement with the Kenai Peninsula Borough to lease facilities for the confinement and care of prisoners. The lease would be for at least 20 years and provide at least 800 prison beds with no limitation on cost of the facility or cost of prisoner care. The lease must provide for an agreement between the Kenai Peninsula Borough and a private third-party contractor to construct and operate the facility. The legislation provides no requirement to use tax-exempt financing, no maximum lease term, no maximum annual lease payment amount, and no maximum project size in either dollars or number of prisoners to be housed at the facility.

The bill as drafted would make it quite unlikely that the facility could be financed on a tax-exempt basis. This means that any financing will carry interest rates approximately 2% higher than rates the state normally pays for financing public facilities. Based on the project estimates of \$60 million to \$125 million, paying a taxable rate of interest would increase the cost of the project financing from \$16 million to \$32 million. In order to minimize the cost to the state (reducing interest expense), the legislation should be redrafted in a way that would permit the use of tax-exempt financing. The current draft does not sufficiently circumscribe the role of the private third-party contractor to permit the borough to comply with "private use" and "management contract" guidelines of the Internal Revenue Service.

Additional concerns that should be addressed:

- No maximum capital expenditure for the facility is established.
- No maximum lease term is specified.
- No maximum lease payments are identified.

While the state's lease payments will be the security for the bonds, there is no specific provision in this legislation for the State Bond Committee to participate in structuring the financing. The state's credit is involved as purchasers of the bonds look to the underlying source of revenues for bond payments when determining risk. As the source of revenues will be the lease payments of the state to the borough, the "credit trail" leads to the state and its ability to make future lease payments. The foundation upon which the state has built credit ratings has been the centralized control of the state's credit through the State Bond Committee. To the extent we deviate from this policy, continued strong ratings of the state become more difficult to retain.

Accordingly, similar to the Anchorage jail transaction, it is anticipated that the State Bond Committee will actively participate in structuring the transaction with the Kenai Peninsula Borough. While costs are not specified in this fiscal note, it is anticipated that between \$50,000 and \$100,000 of bond proceeds (dependent upon size) would be used to pay the state's expenses in this transaction.

Alaska State Legislature

Interim:

Legislative Affairs Agency, LIO
145 Main St. Loop, Second Floor
Kenai, AK 99611
Phone: (907) 283-7223



Session:

State Capitol, Room 432
Juneau, AK 99801-1182
Phone: (907) 465-3779
Fax: (907) 465-2833

Representative Mike Chenault District 9

SPONSOR STATEMENT FOR HOUSE BILL 149

House Bill 149 was introduced simply to transfer the authority to construct a private prison from Ft. Greely/Glennallen area to the Kenai Peninsula Borough.

This will create a construction project worth an estimated *67 Million Dollars*, (this is a sponsor staff estimate) and will provide the Kenai/Nikiski area with an additional stable economic base. In addition the State of Alaska has been supplementing the economy of Florence, Arizona upwards of 20 million dollars per year. It would only make sense to bring those dollars back to Alaska.

Currently I am putting together the specific cost multiplier benefits that will occur when the facility is constructed in Kenai. Future direct economic impacts as a result of stable economic development will be an important portion of the study that will be available in a few days.

Thank you for your time and consideration. If you have any questions please call Sue in my office at 465-3779.

REVISED 03/03 10 A.M.

Alaska State Legislature

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Representative Mike Chenault
District 9

HB 149 Authorizes Private Prison in Kenai **Chenault Seeks to Help Peninsula Economy, Lower State Costs**

(JUNEAU) -- A bill introduced in the House of Representatives to allow a private prison in Kenai would bring hundreds of jobs, millions of dollars in construction and operations payroll, and improved economic stability to the Kenai Peninsula Borough, its sponsor said today.

Rep. Mike Chenault (R-Nikiski) introduced House Bill 149 on Monday to authorize the state to house prisoners in Alaska's first private prison, which could be built on a former military base adjacent to an existing state-owned Wildwood Correctional Center in Kenai.

"Alaska has seen a huge increase in the amount of money spent on corrections in recent years, but a lot of this money goes to send our criminals to private prisons in Arizona," said Chenault. "If the state is going to spend money on private prisons, and we're looking for economic diversification on the Kenai, why not build a prison here and keep the money close to home?"

With existing state-run facilities filled to capacity, Alaska has for years been paying to incarcerate prisoners in private prisons in Arizona. The increasing costs to transport, house, board, and medically care for prisoners has prompted the state to consider a private in-state prison that could cost the state less, keep Alaska prisoners closer to home and provide economic benefits to the community where it is located.

HB 149 would amend state law to grant the Kenai Peninsula Borough the authority to contract with the state Corrections Department to house prisoners in a facility to be built by a third-party private entity. The borough recently decided to work on a contract with Corrections Group North, a joint venture including the Kenai Native Association, Cornell Corrections, and the contracting joint venture Livingstone Sloane Inc. Neeser/VECO. The Native association owns 4,700 acres of former military land next to Wildwood prison.

The bill requires the contractor to agree to build a minimum-security facility capable of housing at least 800 prisoners, and of operating in full compliance with state prison laws, for at least 20 years. Such a facility would cost about \$60 million to build, create 250 steady jobs, and generate an estimated \$600 million in state expenditures for construction and operations over 20 years, Chenault said.

"This bill should allow us to provide an important state service while diversifying the Kenai Peninsula's economy and providing steady employment," Chenault said. "It's a win-win situation. If the people and the Legislature get behind it, I'm looking forward to thorough hearings and early passage."

###

Broadcasters note: Comments are available on the Majority Actuality Line 1-800-478-6540



HOUSE STATE AFFAIRS COMMITTEE

STATE CAPITOL, ROOM 102
465-4963

MEMORANDUM

COMMITTEE MEMBERS

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465-3719

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465-4925

Rep. Peggy Wilson
Room 409
465-3824

Rep. Harry Crawford
Room 426
465-3438

Rep. Joe Hayes
Room 422
465-3466

Date: March 19, 2001

To: Members of House State Affairs Committee

From: Rynnieva Moss, Committee Aide
House State Affairs Committee

A handwritten signature in cursive script, appearing to read "Rynnieva Moss".

Re: HB 149 Subcommittee Meeting

My apologies for not being as thorough as normal but I can not find the file on my laptop where I took notes.

The Subcommittee appointed by Chairman Coghill met Thursday, March 15th at 3:00 p.m. The Subcommittee was chaired by Representative James and other committee members included Representatives Joe Hayes and Hugh Fate. Other persons attending the meeting included Mark Higgins of the Kenai Peninsula Borough, Frank Prewitt of Cornell Corrections, Denny Dewitt from Representative Mulder's office, Deven Mitchell of Department of Revenue, Cathe Heroy of Representative Hayes' office, Barbara Cotting of Representative James' office, Brenda Balash of Representative Fate's office, Margot Knuth of the Department of Corrections, and Sean Cockerham of the Fairbanks News-Miner.

The Subcommittee recommended that the HB 149 be returned to full committee without any recommended changes for passage. It also recommended that if Representative Hayes would like his amendment approved, he could present it to the full committee on Tuesday.

Fairbanks Paper

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Private prison team set

By **McKIBBEN JACKINSKY**
Peninsula Clarion

A team of four companies has set a course to partner with the Kenai Peninsula Borough to develop Alaska's first private prison.

Kenai Natives Association, Livingston Slone Inc., Neeser Construction/VECO Construction Joint Venture, and Corrections Group North -- a private corporation developed through an affiliation between Cornell Corrections of Alaska and Weimer Investments -- now face the hurdle of contract negotiations with the borough before continuing with the planning, promotion, design, construction and operation of a 800- to 1,000-bed medium

security correctional facility to house state inmates on the Kenai Peninsula.

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Kenai Natives Association's role is to focus on planning and educating the public about the project. Along with other team members, KNA intends to develop a training program to assist borough residents in qualifying for jobs resulting from the project. KNA also owns

the land being proposed for the prison site.

KNA's team includes Richard Segura, of Kenai, who has been KNA's president and CEO since 1997 and worked for Tesoro Petroleum Corporation from 1983 until 1992. Also on KNA's side is Michael Slezak of Palmer, KNA's chief operating officer since 2000. Slezak's resume also includes a stint between 1999 and 2000 as chief executive officer for UMPCO , a company providing charitable gaming services; a six-year run from 1993 to 1999 as general manager for Rippie World, a gaming-related business; and a four-year executive directorship for Wasilla Area Seniors between 1989 and 1993.

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Providing legal representation for KNA on this project is Kenai attorney Blaine Gilman. Gilman said the association's interest in the project stems from possible use of association land for the facility, as well as an opportunity to address needs of Alaska Native inmates.

"Obviously, besides the financial element, they are very concerned with the percentage of Native males who are incarcerated," said Gilman.

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the percentage of Native inmates who are incarcerated," said Gilman, adding that Natives account for approximately 35 percent of the state's inmate population, compared with 7 percent of the state's general population.

That focus has won support from the Alaska Federation of Natives, the Kenaitze Indian Tribe, Salamatof Tribal Council and the Ninilchik Traditional Council.

If (the prison) comes on (KNA's) property, what they're going to attempt to do is provide unique substance abuse services geared toward Native people, trying to reduce the recidivism rate," Gilman said.

The Kenai attorney said KNA's concerns also include the number of Native prisoners incarcerated in the private facility in Florence, Ariz. Alaska currently houses approximately 800 state inmates in the Arizona facility due to lack of in-state bed space.

"I think (the new prison) will probably bring a good portion of (those inmates) back," Gilman said.

After contract negotiation with the borough, Gilman said, passing the necessary legislation is the biggest step. Another hurdle will be the public hearing process.

"This is just a very complicated project," Gilman said. "Quite frankly, if any one of those (steps) fails, probably the project won't go forward."

Kenai Peninsula residents are familiar with the design firm Livingston Slone Inc., for its work on Kenai's Vintage Pointe Senior Housing and Seward's SeaLife Center, both of which earned the firm awards from the American Institute of Architects.

However, their projects in Alaska date back 25 years, include other award-winning structures, and also can be found in Point Lay, Fort Wainwright, Bethel, Kotzebue and Anchorage.

"And, actually, we've worked with all of these companies," said Tom Livingston of the other prison project team members. "Starting with Cornell, we've done a number of their halfway houses around the state. Neeser just finished construction of a new state public health lab and medical examiners facility in Anchorage, and we were the designers for that."

Livingston also said his firm worked with VECO on plans to turn Ft. Greely into a private prison. Gaining a spot on the winning team isn't the first gate the design firm has had to pass on this project.

"KNA actually solicited proposals from other firms," Livingston said. "Ours was selected. So that's how we ended up joining forces with them."

Livingston will lead the design team, pulling from his firm's expertise as well as from the Justice Facilities Group, Wince-Corthell-Bryson, Reid Middleton, and RSA Engineering.

"The good news is that we've got good relationships with all the companies," Livingston said. "We're looking forward to moving forward."

Claiming 28 years of experience, Neeser Construction is currently involved in building the new Anchorage jail, a \$50 million project partnering the Municipality of Anchorage with the Alaska Department of Corrections. Under the direction of president Gerald Neeser, the company has designed and built other projects, including medical facilities and community centers.

VECO is no stranger to the Kenai Peninsula, having been involved in the peninsula's oil and gas industry since 1968. According to information the company provided in the bid package, VECO has more than 300 employees on the peninsula, and "their capacity allows them to design and construct projects in excess of \$3 billion."

Corrections Group North is headed by Frank Prewitt. The former commissioner of Alaska's Department of Corrections, Prewitt authorized the contract with the private prison in Arizona in 1994. In the bid package, the relationship with the private out-of-state provider is referred to as "the successful Arizona contract."

However, if the prison being proposed for the Kenai Peninsula is built, it will bring that contract to an end.

In 1995, Prewitt contracted with Corrections Group North to begin promoting an in-state private prison. Since then, South Anchorage, Point MacKenzie and Seward have been considered as possible locations. The most recent site, Ft. Greely, which actually gained legislative approval but has virtually stalled after encountering two lawsuits, community opposition and a change in local government.

Weimer Investments is headed up by William Weimar, who founded Allvest Inc. in 1984 and operated five pre-release facilities for the state. In 1998, Weimar sold Allvest to Cornell Corrections.

Running at the front of the pack is Cornell Companies Inc., based in Houston, Texas. A well-known name in the private prison industry, Cornell is headed up by Steve Logan, who has been with the company since 1993 and has been the company's president and chief executive officer since 1999. The company has facilities in 13 states.

A resolution approving the agreement with Cornell for the planning and promotion of the prison project is on the agenda for the next meeting of the Kenai Peninsula Borough Assembly on Tuesday. The meeting begins



at 7 p.m.

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Private prison deserves support

Proposal presents peninsula with largest economic opportunity in 20 years

Blaine D. Gilman
Another ViewPoint

Spirited community debate is healthy and enables the open minded to see the world from another point of view. When the social and economic stakes are as high as with the proposed private prison, opponents and proponents owe the public a duty of full and accurate disclosures when relying upon the media to carry their message.

The state employee correctional officer union recently entered the public debate with an article entitled "Private prison won't save money." Intending no disrespect to our many friends and neighbors who work at the Wildwood Correctional Center, the union opinion was a disservice to our community in substance and tone.

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Through a maze of unsubstantiated historical inaccuracy, the union makes four basic claims that require rebuttal if the community dialogue is to be based upon truth and fair representations of fact:

First, the union states "the wages paid by privateers will be substandard for our community." The private prison will be built with public funds and many other permanent jobs, such as clerks, maintenance workers, electricians, plumbers, education specialists, treatment and health care workers will be contractual or salaried at, or above, the local wage and benefit scale for the private sector. Cornell historically pays correctional officers at, or near, state hourly rates depending on experience.

The state pays an average of nearly \$17,000 above the base annual salary for journeymen correctional officers' health and retirement benefits. While the Cornell benefit package is excellent by private sector standards, the state of Alaska's 38 percent benefit and 20-year retirement package for correctional officers is extraordinary by any standards.

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Second, the union says that the operating costs of the private prison will be "over \$15 per day higher than what it costs to run our local prison." The average daily operating cost, per bed, at the Wildwood Correctional Center is \$67.77. To arrive at the total daily cost for Wildwood, costs that are paid from the department's central office must be added to the daily

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institutional rate. Those costs are \$5.93 for inmate programs, \$16.69 for inmate health care, \$4.08 for administrative support and \$6.23 for statewide indirect costs. These costs are all based on a daily, per inmate, average. The total, actual cost per day, per inmate at the Wildwood Correctional Center is \$100.70.

Steve Logan, president of Cornell Companies, reports that Cornell facilities, on average, save local government 10 to 15 percent. The remarkable fact is that the private sector operating cost includes debt service. Neither the state nor the union factor long-term debt or capital expenses into the reported daily operating cost. When apples are compared to apples there is simply no comparison between the cost of a private prison and a similar state prison bed.

Third, the union says, "Cornell has a record of overlooking qualification standards in order to staff their prisons." Cornell operates 72 facilities in 13 states with a total bed capacity of 14,845. Over 4,000 of the beds are medium security, or higher, prison beds. Totaled, Cornell manages over three times as many offenders as the state of Alaska Department of Corrections and twice as many high security prisoners.

According to the Corrections Yearbook, Cornell's escape rate is 16 times better than the average escape rate for public facilities and nearly all of Cornell's prisons are accredited by the American Correctional Association. This cannot happen by ignoring hiring and training standards. By comparison, few state of Alaska prisons are accredited.

Finally, the union says "the issue is, and always will be, a matter of public safety." That is correct. But to imply that state prisons are safer than private prisons is disingenuous. As recent as last year, research by the Western Association of State Governments found that private prisons are operated as well and as safely as public prisons.

The private prison project is the largest economic opportunity to present itself to the Kenai Peninsula for over 20 years. We should applaud the dedication and the vision of Borough Mayor Dale Bagley and the assembly in how they have handled and promoted the private prison. They are working in the best interest of borough, and through their efforts, hundreds of residents may obtain temporary construction and permanent prison jobs.

This community needs to stand up and be heard. Let the assembly know that you support the private prison and that the public employee correctional union's position is contrary to the best interest of the borough. The next hearing relating to the private prison is scheduled for Tuesday at 7 p.m. at the Borough Building in Soldotna. Let your opinion be known.

Blaine D. Gilman is a Kenai attorney who represents the Kenai Natives Association, one of four companies which has teamed together to



develop Alaska's first private prison.

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Prison issues in spotlight Tuesday

Resolutions are topic of assembly meeting

By **McKIBBEN JACKINSKY**
Peninsula Clarion

If the public wants the Kenai Peninsula Borough's nine-member assembly to hear their voice, Tuesday's meeting offers plenty of opportunity.

Taking center stage with four separate resolutions is the proposed 800- to 1,000-bed medium security private prison being considered for construction and operation on the Kenai Peninsula. All four prison-related resolutions are on the assembly's consent agenda, which means they automatically will be introduced by the panel at the opening of the meeting unless specifically removed. A public hearing and formal approval will come at a later date.

Paul Fischer, assembly member from Kasilof, will introduce a resolution asking for voter approval on the issuance of revenue bonds anticipated to total between \$80 million to \$100 million to fund the project.

"I am very concerned that the borough is proceeding with the prison project, which is significantly larger than any other project attempted by the Kenai Peninsula Borough, without providing the voters an opportunity to vote on it," Fischer wrote in a memo to Assembly President Tim Navarre and the other seven assembly members.

Fischer said his concerns include the speed with which the project is moving forward.

"On (Feb. 20) we found out from the (evaluation) group of five that we had two days to make a decision, to really search (the bids) out like we should have," Fischer said.

The assembly held a special meeting Feb. 23 to hear in executive session presentations by two out of four teams bidding on the project. At the end of the day, the assembly stated its intent to negotiate a contract with the team headed by Cornell Companies Inc.

"I think we should have delayed (the decision) a week or so, so that the assembly had a chance to check it out for our own. We didn't get involved in the evaluation committee process at all."

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Fischer said he also is concerned about issues of liability.

"We know nothing about prisons," Fischer said of the borough's experience in the area of corrections. "We're relying on an expert, but if things don't go right, that expert will be gone."

Fischer, a former Alaska legislator who was in office during the planning of Seward's Spring Creek Correctional Facility, also said that as a second class borough, the Kenai Peninsula Borough lacks correction powers.

"I can actually say I've lost sleep over this," Fischer said.

Two more assembly members, Bill Popp of Kenai and Ron Long of Seward, will introduce a resolution designating property located near Wildwood Correctional Complex as the site for the new prison. The legislation would open the door for Borough Mayor Dale Bagley to obtain the land from owners Kenai Natives Association either through purchase or a long-term lease. Final approval would still rest in the assembly's hands.

"The resolution is intended to begin the public process for site selection," Popp said.

Hearings would take place Tuesday, March 27 and April 17, as well as a planning commission hearing on April 9.

"Coincidentally, it is my expectation that there will be a resolution introduced by a council member from city of Kenai to support this location," Popp said. "If there are issues that arise through the many public hearings we will hold, then it is my intention to postpone final hearing until a date more appropriate."

Two other prison-related resolutions, authored by Bagley, also are on the assembly's Tuesday agenda.

One of the resolutions expresses intent to issue bonds to finance the prison project.

"It is anticipated that debt service on the bonds will be paid from revenue derived through a contract with the Alaska Department of Corrections," according to accompanying documentation from Jeff Sinz, the borough's finance director. "If the project is not ultimately approved and bonds are not issued to pay for capital costs associated with the project, then the costs will be treated as an operating expenditure of the borough's general fund."

The second resolution from borough administration approves the agreement with Cornell Companies Inc. for the planning and promotion of the prison project. Although that agreement has yet to be finalized, the resolution puts "the public and the assembly on notice that we anticipate



a completed contract on or before March 13, 2001," Sinz wrote.

Assembly committee meetings begin at 1 p.m. Tuesday at the Kenai Peninsula Borough Administration Building, 144 N. Binkley St. in Soldotna. The evening's assembly meeting begins at 7.

Discuss this story in our [Discussion Forum](#)

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Comments or questions? Contact the web master at [Peninsula Clarion](#)

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TONY KNOWLES
GOVERNOR
governor@gov.state.ak.us



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU
October 30, 2000

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532
www.gov.state.ak.us

The Honorable Dale Bagley
Mayor of the Kenai Peninsula Borough
144 North Binkley
Soldotna, AK 99669

Dear Mayor Bagley:

Thank you for your letter regarding the private prison proposed near Kenai. I know you have begun meetings with Commissioner Margaret Pugh on this matter, and I appreciate your interest in learning more about the possibilities and the issues involved.

Early on, my Administration developed an approach to prison expansion based on five principles:

- Protecting the public's safety;
- Addressing statewide and regional needs;
- Consistency with best correctional practices;
- Community participation through government-to-government transactions; and
- Cost-effectiveness.

The Kenai private prison idea may meet those important objectives. I'm sure there is plenty of discussion to come, and I hope you will keep Commissioner Pugh informed of the latest developments. I know she has offered to facilitate meetings with state experts to discuss bonding and other financial matters. Those discussions also are important.

In the meantime, it is clear the Legislature's intent in House Bill 53 was to develop a private prison at the Fort Greely site. The state has been working to do so ever since. There is no doubt any change of focus or development of a new private prison plan will involve legislative action.

My Administration looks forward to further discussion of Alaska's prison needs.

Sincerely,

A handwritten signature in cursive script that reads "Tony Knowles".

Tony Knowles
Governor

cc: Commissioner Margaret Pugh, Department of Corrections ✓

Kenai Natives Association, Inc.

**FAX
TRANSMISSION**

PHONE: 283-4851

FAX: 283-4854

TO: Dennis DeWitt – Legislative Assistant

FROM: Michael Slezak – Chief Operating Officer

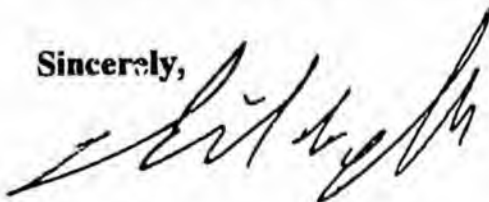
DATE: 4/4/01

Pages: 13

SUBJECT: Attached Resolutions and letters of support

Attached please find the resolutions and letter of support from the Native community in support of the private prison project in Kenai. I am sending you these in the hopes that you could get them inserted in the Bill packages for HB 149.

Sincerely,



Michael R. Slezak

ALASKA FEDERATION OF NATIVES, INC.

1577 C Street, Suite 300, Anchorage, Alaska 99501
907-274-3611 Fax 907-276-7989

**Board of Directors
Board Resolution 00-07**

- TITLE:** IN SUPPORT OF A PRIVATE PRISON ON KENAI NATIVE ASSOCIATION, INC. (KNA) WILDWOOD PROPERTY.
- WHEREAS:** the Kenai Native Association, Inc. (KNA) has undertaken the development of a private prison to be located on their Wildwood property; and
- WHEREAS:** the State of Alaska has a critical need for prison beds to alleviate the current overcrowding in the prison system; and
- WHEREAS:** the State is currently sending Alaska prisoners to serve their time at a private prison in Arizona because of the overcrowding situation; and
- WHEREAS:** Alaska Native males comprise 37% of the male prison population and of the 1,500+ prisoners sent to Arizona approximately 37% of these individuals are Alaska Natives; and
- WHEREAS:** having Alaska Native males so far from their homes and villages place an undo hardship upon their families and deprives them of cultural considerations while serving their sentences; and
- WHEREAS:** the State of Alaska spends over \$18 million per year to keep these prisoners in Arizona when the funds would be better spend supporting a private Alaskan prison at Wildwood; and
- WHEREAS:** the proposal of private prison facility being developed by KNA would be more adept at meeting the cultural and rehabilitative needs of the Alaska Native prisoners; and
- WHEREAS:** the completion of this facility will assist in the effort to bring our people home from confinement in Arizona.

NOW THEREFORE BE IT RESOLVED that the Alaska Federation of Natives Board of Directors does fully endorse and support the Kenai Native Association, Inc. in the development of their private prison project.

Adopted this 19th day of December, 2000

Corporate Seal:



Julie E. Kaka
Julie E. Kaka, President

ALASKA FEDERATION OF NATIVES
BOARD OF DIRECTORS

Revised 10/30/00

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AFN Board of Directors

- Page 3 -

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Alaska Native Brotherhood Camp 2

12 December 2000

The Honorable Tim Navarre, President
Kenai Peninsula Borough Assembly
144 North Binkie Street
Soldotna, AK 99669

Dear Honorable Navarre:

This is to encourage you and the Assembly to approve the proposal provided by the Kenai Native Association, Inc. to construct, administer and operate a medium security private prison to be located on the Kenai Peninsula.

I understand the question "Why would an organization located in Juneau support a proposed project in Kenai?" This is a good question and here is why?

First, the Alaska Native Brotherhood Camp 2, received a grant from the United States, Department of Health and Human Services for a project titled "Cultural Justice Spirit Camp and Healing Center." The project is to develop a culturally oriented corrections program in Hoonah, Alaska.

Second, our research has shown that when the native community takes responsibility for restoration and rehabilitation, recovery is successful and recidivism is reduced. We know that the proposed private prison is not for Native inmates only but we also know that approximately 800 prisoners are sent to Arizona with a majority of those being sent to this private facility are Native without any understanding of culture, traditions or customs of Native people. The primary prisons all have culturally oriented projects and programs helping self-acceptance.

Third, the benefit of providing culturally related corrections, (1) acceptance of oneself; (2) respecting oneself; (3) respecting your fellow-man and nature; (4) taking responsibility for your own actions; and (5) making amends for the wrong done to a victim (s) places a person on a healthy road of healing. Using the cultural approach provides an objective way of addressing conflicts and wrongdoing. These values apply to all people not only Natives.

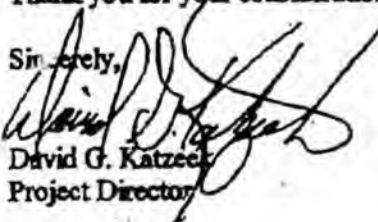
Finally, documentation is being established on the success of Native people taking the responsibility of working with the offender and victim. The community of Kake is an example. Their community worked with their own people using the culture to correct problems that kept offenders on a repetitive "gerbil wheel" of offenses.

We realize that what is being proposed is the construction of a medium security private prison, however, we strongly believe that the Kenai Native Association, Inc. will be positive toward programs that will not only save money for the State of Alaska but also help the inmate.

In conclusion we encourage you to support the Kenai Native Association's proposal because it is logical for the State of Alaska and the Kenai Peninsula. The economics are positive with construction, with employment (construction, administrative and operations). This includes an increase in consumer sales (purchases of commodities by inmates) and an increase in property values.

Thank you for your consideration.

Sincerely,



David G. Katzev
Project Director

Cc: Rick Segura, President
Mike Slegak, COO
Kenai Native Association



First National Bank
of Anchorage

D.H. Cuddy
President

August 17, 2000


George Wright
Kenai Natives Association, Inc.
215 Fidalgo Avenue, Suite 101
Kenai, Alaska 99611

Dear Mr. Wright,

I was pleased to learn of the Kenai Natives Association's project of taking over the Wildwood Prison property. It has been a shame that this facility has gone vacant for so many years when the need for such facilities is so great in our state. Certainly it will be a materialized benefit to the State of Alaska and your Association should you renovate and operate this prison facility.

My best wishes to you.

Sincerely,


D.H. Cuddy
President & Chairman



RESOLUTION 2000-15
Council of the Native Village of Tyonek
An Indian Chartered Corporation

WHEREAS, Native Alaskan men comprise 35 percent of Alaska's prison; and

WHEREAS, Native Alaskan men comprise only 7 percent of the Alaska general population; and

WHEREAS, The disproportionate incarceration of Native Alaskan men has been recognized as the most critical challenge to the Alaska System of Criminal Justice; and

WHEREAS, Large number of Native Alaskan and Alaskan men are incarcerated in Arizona, far from the support systems necessary for rehabilitation; and

WHEREAS, The State Department of Corrections' plan to return prisons to a privately built and operated prison on Fort Greely in 2003 appears to be failing; and

WHEREAS, The Kenai Natives Association, Inc., is developing a plan to build and operate a 1,000 bed private prison adjacent to the existing, state operated, Wildwood Correctional Center; and

WHEREAS, The Kenai Peninsula Borough has agreed to contact with the Kenai Natives Association, Inc., to sell the prison services to the State of Alaska, Department of Correction through an intergovernmental agreement; and

WHEREAS, the Kenai Natives Association, Inc., has in turn, agreed to cooperate with the Kenai Peninsula Borough to expand the Kenai Airport across KN land; and

WHEREAS, The prison project and airport expansion will substantially benefit the economy of the Kenai Peninsula Borough with hundreds of construction related and permanent jobs; and

WHEREAS, The prison is intended to offer the highest standards of security and correctional programs, as well as special remedial programs for Native Alaskan offenders not currently offered in Alaska State Prisons; and

WHEREAS, The proposed prison will benefit all incarcerated Alaskan Offenders of every race, creed, and religion by providing enough beds to serve sentences in the State of Alaska;

NOW, THEREFORE, BE IT RESOLVED BY THE Native Village of Tyonek IRA Council.

SECTION 1: The Native Village of Tyonek IRA Council, supports the Kenai Natives Association, Inc., and Kenai Peninsula Boroughs' proposal to build and operate a private prison on KNA lands adjacent to the Wildwood Correctional Center.

SECTION 2: The Native Village of Tyonek IRA Council, urges Governor Tony Knowles to enter into an intergovernmental agreement to purchase prison services that result from the Kenai Natives Association, Inc., and effort to build a private prison on KNA lands.

CERTIFICATION

For	<u>5</u>
Against	<u>0</u>
Abstain	<u>0</u>
Present	<u>6</u>
Absent	<u>3</u>

BY Angela Sandstol on September 15, 2000.

Peter Merryman
Peter Merryman, President

Angela Sandstol
Angela Sandstol, IRA Secretary

Kenaitze Indian Tribe I.R.A.

P.O. BOX 988
KENAI, ALASKA 99611
(907) 283-3633
Fax (907) 283-3052

July 30, 2000

Richard Segura, President
Kenai Native Association, Inc.
215 Fidalgo, Suite #1
Kenai, Alaska 99611

Dear Mr. Segura:

Ref: Letter of Support

Please be advised that the Executive Committee/Tribal Council of the Kenaitze Indian Tribe, IRA, after careful consideration, strongly supports the efforts of the Kenai Native Association, Inc. to build a State Prison on its properties located at Wildwood, Kenai, Alaska. We believe this project would alleviate the overcrowding situation that now exists within the state system and would allow those relocated Alaskan Prisoners to return to Alaska to complete their sentencing.

Sincerely,



Rosalie Tepp
Tribal Chairperson
Kenaitze Indian Tribe, IRA

NINILCHIK TRADITIONAL COUNCIL

P.O. BOX 39070
NINILCHIK, ALASKA 99639
PH.: (907) 567-3313 • FAX: (907) 567-3308



August 18, 2000

Richard Segura, President/CEO
Kenai Native Association, Inc.
215 Fidalgo Ave., S. 101
Kenai, AK 99611

Dear President Segura:

We were pleased to hear that the Kenai Natives Association, Inc. is developing a private prison project and we would like to express our support for your efforts.

An inordinate amount of Native people compromise the general prison population. That they be incarcerated in their Native land seems preferable to the current alternative.

The economic boost to the Peninsula is very much needed in light of the current fishing, oil, and logging industries.

We consider this a very worthwhile project and respectfully request the Governor to offer his full support.

Thank you.

dlw for Sincerely,
Jack Kvasnikoff, Jr.
Jack Kvasnikoff, Jr.
President/Chairman

c: file

SALAMATOF TRIBAL COUNCIL

August 4, 2000

Richard Segura,
President
Kenai Natives Association, Inc.
215 Fidalgo Avenue, Suite 101
Kenai, AK 99611

Re: Letter of Support

Dear Mr. Segura,

The Salamatof Tribal Council gratefully acknowledges your letter of support for the Kenai Natives Association, Inc. for establishing a privately operated prison on your Wildwood property. We believe this prison project will go a long way toward improving the overcrowding that exists in Alaska prisons today.

It is a sad fact that over 85% of the total prison population in the Alaska system are Natives and a number of these prisoners are currently housed out of state in Arizona. Hopefully this will help bring our Alaska Natives back to the state. Your efforts will surely make this situation better.

We applaud your efforts and support this project completely.

Sincerely,


Penny Carby
President
Salamatof Tribal Council

150 N Willow St. Suite 29 Kenai, Alaska 99611

Printed on recycled paper

