

HB

498

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB 498 (FIN)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Corrections
 Title An Act expressing legislative intent re BRU Administration and Operations
privately operated correctional facility space and services; Component All
 Sponsor House Finance
 Requester State Affairs; Finance Component No. #0694

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	71.0	144.7	645.1	989.3	941.3	897.4
Travel	3.0	6.0	22.0	172.0	169.0	166.0
Contractual	85.5	11.0	50.0	33,695.5	34,702.0	34,786.5
Supplies	3.0	6.0	14.0	18.0	15.0	12.0
Equipment	3.0	3.0	61.0	44.9	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous					5,682.0	5,682.0
TOTAL OPERATING	165.5	170.7	792.1	34,919.7	41,509.3	41,543.9

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	165.5	170.7	792.1	34,919.7	41,509.3	41,543.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	165.5	170.7	792.1	34,919.7	41,509.3	41,543.9

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	1	2	10	15	41	40
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 Section 1 of this bill states the legislative intent to secure additional correctional facility space through a privately operated correctional facility in Alaska. The legislature expects the Department of Corrections to contract with the City of Whittier for privately operated correctional facility space and services similar to those currently acquired for medium-security Alaska prisoners in a privately operated prison outside the state. Legislature expects the initial per diem costs will be between \$89 to \$91 per day.
 Section 2 authorizes a contract with the City of Whittier for correctional facility space and services with third-party contractor operation for a minimum of 25 years, a minimum of 1,000 beds and the contract must provide cultural relevant services.
 (Continued on Page 2)

Prepared by: Joseph Reeves Phone 465-3315
 Division: Administrative Services Date/Time 4/19/02 9:10 AM
 Approved by: Margaret M. Pugh, Commissioner Date 4/19/02
 Agency: Department of Corrections

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CS HB498 (FIN)

ANALYSIS CONTINUATION

DOC will require 2 Long-term Project positions- Facilities Manager I's to interface with the Whittier (Start FY2003) and Bethel (Start FY2004) project during design and construction phases and through the 1st year of operations. Each of the position's Initial salary and benefit costs are \$71.0 per year with 3.75% annual performance adjustments included per labor agreement. Each of the Facility Manager staff will also require an additional \$14.5 of support costs for FY2003 (\$3.0 Travel, \$5.5 contractual Services, \$3.0 Supplies, and \$3.0 Equipment (one-time) for their first year operations, and \$11.5 for subsequent years.

The Department of Corrections (DOC) requires funds to enable the Agency to hire a professional contractor to negotiate and execute necessary prisoner care and operational contracts with the City of Whittier and their 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 (Shown in Contractual Line of FN). This is the same amount that the Municipality of Anchorage spent on their contract negotiations for the new 400-bed Anchorage Jail. Assume all necessary contracts would be completed in FY2003.

The DOC requires funds to enter into a professional service agreement for contract compliance monitoring services of the contracts for the new Whittier Prison. 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. Estimate approximately \$100 per hour X 1,000 hours per year = \$100.0 per year (Shown in Contractual Line of FN) beginning in FY2006 (operations begins).

State oversight of the new Whittier Prison will require the following additional 8 Permanent full-time state staff in the Department's budget for the life of the contract: (assume that staff will begin work in FY2005 preparing offenders for transition from existing out-of-state facilities and developing case management files, and also build in a 3.75% performance incentive adjustments to salary costs per labor agreements for FY2006-FY2008)

4 Adult Probation Officer II's (Case Managers) @ \$65.0 per year = \$260.0 per year personal services
2 Nurse II (Medical Coordination) @ \$65.0 = \$130.0 per year personal services
1 Internal Auditor II (Contract Compliance) @ \$60.0 per year personal services
1 Criminal Justice Technician (Clerical/Office Support) @ \$45.0 per year personal services
Leased Vehicles for Adult Probation Officers (2) = \$15.0 per year contractual services
Travel-Supply Support costs 8 Positions @ \$6.0 each/year (\$2.0 Travel, \$3.0 Contractual, \$1.0 Supplies) = \$48.0/year.
Equipment: \$2.0 each X 8 position to cover PC's, printers, office equipment = \$16.0 (One-time).

Data processing equipment will be needed to support DOC oversight staff and to interface with the new Whittier Prison with the Department's new Offender Tracking Information System. Data processing PC's, office equipment, miscellaneous equipment including the WAN/LAN connection. \$45.0 in FY2005 (shown in equipment line of FN).

Starting in FY06, the DOC Transportation Section will require: four (4) additional PFT Prisoner Transportation Officers based at the Whittier Prison (\$65.0 each X 4 = \$260.0 personal services with a 3.75% performance incentive adjustment per labor agreements in subsequent years) and one PFT Prisoner Transportation Officer in the Anchorage Central Office (\$60.0 P.S.); safety and operating equipment for the five officers (\$14.9 Total Equipment one-time); a new Van to transport prisoners back and forth from the Whittier Prison (\$30.0 Total Equipment one-time); travel and transportation funds to move prisoners from out of state to Whittier (one-time contractual expenses of \$688.0 in FY06); travel and transportation costs to handle routine needs at the facility (annual expenses estimated at \$12,500 per month X 12 months = \$150.0 travel); and contractual services funds (\$7.5) and supply funds (\$4.0) to support the new transportation officers.

The annual operating costs to cover the contracting costs of housing prisoners under this bill will be approximately \$32,850.0 (shown in contractual services line of FN) each fiscal year beginning in FY2006. (1,000 beds times \$90 per day times 365 days). Note that FY2008 leap year will require an additional \$90.0 of contractual funds. Contractual services amount assumes that all Architectural and Engineering will be completed in the first year (FY2003) and Construction will take approximately 2 years (FY2004 and FY2005) for this multi-story 1,000 bed facility. Prison operations at the new Whittier Prison is assumed to begin FY2006. Assuming 25 year contract with City of Whittier for prison services, at the \$90 per day rate per prisoner, the total 25 year contract will be cost \$821,790,000.

(Continued on Page 3 of 3)

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CS HB498 (FIN)

ANALYSIS CONTINUATION

The \$32,850.0 annual contractual costs of incarceration at Whittier may be offset by moving offenders housed at the Out of State Contract facility (Central Arizona Detention Center) back to Alaska and housing them in the new Whittier Prison, if any remain at CADC when the new in-state facility is completed. If the CADC were to still have 585 (current FY03 population) Alaska offenders there by the time the Whittier Prison is completed, moving those prisoners back in-state could offset the \$32,850.0 contract costs at Whittier by \$13,879.1 (585 X \$65 per day X 365 days).

Section 3 states that the provisions of AS 33.30.031 (a) do not apply to an agreement for correctional space and services in accordance with the provisions of sec. 2 of this Act.

Section 4 authorizes the department to enter into a lease-financing agreement for the expansion of the Yukon-Kuskokwim Correctional Center (YKCC) in Bethel for up to 96 new beds as costs not to exceed: 1) \$183,300 per bed; 2) \$17,593,700 in capital costs; and 3) \$5,682,000 in increased operating expenditures. The estimated total cost of construction, acquisition, and equipping the project is \$19,000,000, which shall be paid from proceeds of the certificates of participation issued. The estimated aggregate annual amount of rental obligations under the lease-financing agreements is \$1,700,000. The total payments for the full term of certificates of participation are estimated to be \$25,500,000. Estimate that Architectural and Engineering will begin in FY2004 with Construction to occur FY2005-FY2006, and expanded Operations to begin in FY2007. Estimate that the expansion of 96 offender beds at YKCC will require 27 new staff (or 3.5 offenders per staff).

Section 5 Repeals Section 1-3, ch.32, SLA 2001, relating to contracting with the Kenai Peninsula Borough for private prison services.

Section 6 establishes a "Condition Effect" that states Section 4 only takes effect if construction begins on the private prison in Whittier.

Section 7 says Sections 1-3 and 5 of this Act takes effect July 1, 2002.

Section 8 says Section 4 takes effect the day after the day that the revisor of statutes is notified by the commissioner of corrections that construction has begun on the private prison approved in secs 1-3 of this Act.

End.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB498(FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Whittier Private Prison BRU Revenue Operations
Component Treasury Division
Sponsor House Finance Committee
Requester House Finance Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel		15.0				
Contractual		380.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service			1,712.1	1,710.1	1,711.1	1,712.3
TOTAL OPERATING	0.0	395.0	1,712.1	1,710.1	1,711.1	1,712.3

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		15.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds		380.0	1,712.1	1,710.1	1,711.1	1,712.3
TOTAL	0.0	395.0	1,712.1	1,710.1	1,711.1	1,712.3

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached.

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

Phone 465-3750
Date/Time 4/17/02 3:49 PM
Date 4/17/2002

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB498(FIN)

ANALYSIS CONTINUATION

This legislation authorizes the Department of Corrections to enter into an agreement with the City of Whittier for the purposes of acquiring correctional facility space and services to house state prisoners. The Finance Committee substitute also allows that if such a facility is started in Whittier, the Department of Administration may also enter into a lease-financing agreement for a 96-bed expansion of the Yukon-Kuskokwim Correctional Center in Bethel.

CITY OF WHITTIER

The agreement would be for a minimum of 25 years and provide at least 1,000 prison beds. The lease must provide for an agreement between the City of Whittier and one or more private, third-party contractors to construct and operate the facility. The legislation provides no requirement that tax-exempt financing be used for the facility, no maximum lease term, no maximum annual lease payment amount, and no maximum project size in dollars or number of prisoners to be housed at the facility.

Although there is no specific provision in this legislation for the State Bond Committee to participate in structuring the financing, the Department of Revenue anticipates working with the City of Whittier to obtain the most favorable financing terms for the state -- as the state's lease payments will be security for any bonds sold by the municipality. The state's credit must be represented, as the pledge that will be given to bond investors is that the state will make annual payments under the agreement entered into by the Department of Corrections. This "credit trail" quickly leads investors to the fact that the likelihood of repayment or credit risk involved with this transaction hinges on the appropriation of state general fund dollars. The foundation upon which the state has built its good credit rating has been the centralized control of the state's credit through the State Bond Committee, and the Bond Committee's involvement in this issuance is important to maintaining that credit strength. This position is further strengthened by the fact that the City of Whittier has no bonds currently outstanding, and has limited local resources available to develop this complex transaction. The State Bond Committee, and contractors of the Bond Committee, would work with the City of Whittier to structure and market the transaction. The anticipated travel costs in the fiscal note would be paid from the state general fund, with the additional \$50,000 to \$80,000 in contractual costs to be paid from bond proceeds of the transaction.

YUKON-KUSKOKWIM CORRECTIONAL FACILITY

The legislation also authorizes the issuance of up to \$17,895,000, plus costs of issuance, in certificates of participation (COPs) for the facility expansion in Bethel. The total estimated issuance amount authorized in this legislation is \$19,000,000. However, the numbers in this fiscal note are based on the assumption that the total issuance amount (project and cost of issuance) would be just \$17,895,000, which is what the departments of Revenue and Corrections estimate would be needed for the project. As these bonds would be sold using the competitive method of sale, the cost-of-issuance estimates do not include the underwriter's discount or bond insurance. Assuming an issuance October 2002, an interest rate of 4.7%, and a 15-year term, the annual debt service would be approximately \$1.7 million per year on a \$17,895,000 issuance. If the full \$19 million was issued under the same terms, annual debt service would be \$1.8 million.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 498
(H) Publish Date: 3/13/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Corrections
Title An Act expressing legislative intent re BRU Administration and Operations
privately operated correctional facility space and services; Component All
Sponsor House Finance
Requester State Affairs; Finance Component No. #0694

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	71.0	73.7	571.5	913.0	864.9	897.4
Travel	4.0	4.0	20.0	170.0	166.0	166.0
Contractual	85.5	5.5	44.5	26,380.9	25,687.4	25,757.4
Supplies	2.0	2.0	10.0	14.0	12.0	12.0
Equipment	3.0	0.0	61.0	44.9	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	165.5	85.2	707.0	27,522.8	26,730.3	26,832.8

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	165.5	85.2	707.0	27,522.8	26,730.3	26,832.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	165.5	85.2	707.0	27,522.8	26,730.3	26,832.8

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 20. 3 budget proposal:

POSITIONS

Full-time	1	1	9	14	13	13
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill allows the Commissioner of the Department of Corrections to enter into a contract with the City of Whittier for privately operated correctional space and services similar to those currently acquired for medium-security Alaska prisoners in a privately operated prison outside the state. The agreement must be for a minimum of 25 years. An operating component must be sufficient to support 1,200 prison beds for a period of five years from initial operation. Section 1 expresses Legislative intent that per diem costs will be between \$89 to \$91 per day.

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 the 1st year of operations. Position's initial costs are \$71.0 per year with 3.75% annual performance adjustments included per labor agreement through FY2006. Also requires an additional \$14.5 of support costs for FY2003 and \$11.5 for FY2004-2006.

(Continued on Page 2)

Prepared by: Joseph Reeves Phone 465-3315
Division Administrative Services Date/Time 2/27/02 2:24 PM
Approved by: Margaret M. Pugh, Commissioner Date 2/27/02
Agency Department of Corrections

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB 498 - FN#2

ANALYSIS CONTINUATION

This legislation would authorize the single largest contract in the State of Alaska's history, nearly 1 billion dollars over 25 years.

The Department of Corrections (DOC) requires funds to enable the Agency to hire a professional contractor to negotiate and execute necessary prisoner care and operational contracts with the City of Whittier and their 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 \$ 35 per hour X 430 hours = \$79,950 or \$80.0 (Shown in Contractual Line of FN). This is the same amount that the Municipality of Anchorage spent on their contract negotiations for the new 400-bed Anchorage Jail. Assume all necessary contracts would be completed in FY2003.

The DOC requires funds to enter into a professional service agreement for contract compliance monitoring services of the contracts for the new Whittier Prison. 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. Estimate approximately \$100 per hour X 1,000 hours per year = \$100.0 per year (Shown in Contractual Line of FN) beginning in FY2006 (operations begins).

State oversight of the new Whittier Prison will require the following additional 8 Permanent full-time state staff in the Department's budget for the life of the contract: (assume that staff will begin work in FY2005 preparing offenders for transition from existing out-of-state facilities and developing case management files and also build in a 3.75% performance incentive adjustments per labor agreements for FY2006-FY2008)

4 Adult Probation Officer II's (Case Managers) @ \$65.0 per year = \$260.0 per year person services
2 Nurse II (Medical Coordination) @ \$65.0 = \$130.0 per year personal services
1 Internal Auditor II (Contract Compliance) @ \$60.0 per year personal services
1 Criminal Justice Technician (Clerical/Office Support) @ \$45.0 per year personal services
Lease 1 Vehicles for Adult Probation Officers (2) = \$15.0 per year contractual services
Travel-Supply Support costs 8 Positions @ \$6.0 per year (\$2.0 Travel, \$3.0 Contractual, \$1.0 Supplies) = \$48.0 per year.
Equipment: \$2.0 each position to cover PC's, printers, office equipment = \$16.0 (One-time).

Data processing equipment will be needed to support DOC oversight staff and to interface with the new Whittier Prison with the Department's new Offender Tracking Information System. Data processing PC's, office equipment, miscellaneous equipment including the WAN/LAN connection. \$45.0 in FY2005 (shown in equipment line of FN).

The DOC Transportation Section will require: four (4) additional PFT Prisoner Transportation Officers based at the Whittier Prison (\$65.0 each X 4 = \$260.0 personal services with a 3.75% performance incentive adjustment per labor agreements FY2007 and FY2008) and one PFT Prisoner Transportation Officer in the Anchorage Central Office (\$60.0 P.S.); safety and operating equipment for the five officers (\$14.9 Total Equipment one-time); a new Van to transport prisoners back and forth from the Whittier Prison (\$30.0 Total Equipment one-time); travel and transportation funds to move prisoners from out of state to Whittier (one-time contractual 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 travel); and contractual services funds (\$7.5) and supply funds (\$4.0) to support the new transportation officers.

The annual operating costs to cover the contracting costs of housing prisons under this bill will be approximately \$39,420.0 (shown in contractual services line of FN) each fiscal year beginning in FY2006. (1,200 beds times \$90 per day times 365 days). Note that FY2008 leap year will require an additional \$108.0 of contractual funds. Contractual services need assumes that all Architectural and Engineering will be completed in the first year (FY2003) and Construction will take approximately 2.0 years (FY2004 and FY2005) for this multi-story 1,200 bed facility. Prison operations at the new Whittier Prison is assumed to begin in FY2006.

The \$39,420.0 annual costs of incarceration will be offset by moving the remaining 585 offenders housed at the Out of State Contract facility (Central Arizona Detention Center) back to Alaska and housing them in the new Whittier Prison. 585 offenders times \$65 per day X 365 days = \$13,879.1 of savings that can be applied to the new Whittier Prison costs. An additional \$38.0 of savings will apply to leap year FY2008.

End

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 498
(H) Publish Date: 3/13/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Whittier Private Prison BRU: Revenue Operations
Component: Treasury Division
Sponsor: House Finance
Requester: House State Affairs Component No.: 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel		15.0				
Contractual		80.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	95.0	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)

1002 Federal Receipts						
1003 GF Match						
1004 GF		15.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds		80.0				
TOTAL	0.0	95.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached:

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750
Division: Treasury Division Date/Time 2/22/02 2:46 PM
Approved by: Larry Persily, Deputy Commissioner Date 02/22/2002
Agency: Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HE 498 - FN#1

ANALYSIS CONTINUATION

This legislation authorizes the Department of Corrections to enter into an agreement with the City of Whittier for the purposes of acquiring correctional facility space and services for state prisoners.

The agreement would be for a minimum of 25 years and provide at least 1,200 prison beds. The lease must provide for an agreement between the City of Whittier and one or more private, third-party contractors to construct and operate the facility. The legislation provides no requirement that tax-exempt financing be used for the facility, 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.

Although there is no specific provision in this legislation for the State Bond Committee to participate in structuring the financing, the Department of Revenue anticipates working with the City of Whittier to obtain the most favorable financing terms for the state -- as the state's lease payments will be security for any bonds sold. The state's credit must be represented, as the pledge that will be given to bond investors is that the state will be making annual payments under the agreement entered into by the Department of Corrections. This "credit trail" quickly leads investors to the fact that the likelihood of repayment or credit risk involved with this transaction hinges on the appropriation of state general fund dollars. The foundation upon which the state has built its good credit rating has been the centralized control of the state's credit through the State Bond Committee, and the Bond Committee's involvement in this issuance is important to maintaining that credit strength. This position is further strengthened by the fact that the City of Whittier has no bonds currently outstanding, and has limited local resources available to develop this complex transaction.

The State Bond Committee, and contractors of the Bond Committee, would work with the City of Whittier to structure and market the transaction. The anticipated travel costs in the fiscal note would be paid from the state general fund, with the additional \$50,000 to \$80,000 in contractual costs to be paid from bond proceeds of the transaction.



ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE
STATE CAPITOL, JUNEAU, ALASKA

Sectional Summary for Proposed Finance CS

CSHB 498 (Fin) -- "An Act expressing legislative intent regarding privately operated correctional facility space and services; relating to the development and financing of privately operated correctional facility space and services; authorizing the Department of Corrections to enter into an agreement for the confinement and care of prisoners in privately operated correctional facility space in the City of Whittier; giving notice of and approving the entry into and the issuance of certificates of participation for the upgrade, expansion, and replacement of a certain correctional facility in the City of Bethel; giving notice of and approving the entry into lease-financing agreements for that project; and providing for an effective date."

Section 1 expresses the Legislature's intent that in Sec. 2-3 the Department of Corrections (DOC) secure additional prison space and services through a contract with the City of Whittier, similar to that currently contracted for outside the state. It further anticipates a privately-operated prison to bring competitive management styles and operations to Alaska. Finally, it expresses the intent that the initial per diem costs (excluding costs now excluded in the contract in Arizona, but including capital costs) should be in the \$89-\$91 range.

Section 2 in subsection (a) authorizes DOC to enter into a 25-year contract with Whittier for correctional space and services. Subsection (b) provides that the contract in (a) is predicated upon the City of Whittier having an agreement with one or more third-party contractors for construction and operation of the facility. It further requires that the City of Whittier procure the third-party contractors through a competitive procurement process. And it provides that the procurement requirements are satisfied if the City of Whittier follows its proscribed and lawful procedures under the general powers grant of the state municipal code (AS 29.35.010(15) (providing facilities for the confinement and care of prisoners).

Subsection (c) stipulates that the agreement authorized in (a) must cover a minimum of 1000 beds and the payment from DOC must cover the capital costs, including debt service, and operating costs for a period of five years from initial operation of the facility. The CS also includes a provision that the operating component must include a reasonable adjustment for costs not incurred until full occupancy.

Subsection (c) further provides that the payments under the agreement must be subject to annual appropriation by the legislature; that the agreement must contain a provision

allowing for termination with the third-party contractor and procurement of a replacement contractor; and that the agreement is subject to a requirement that the contractor provide culturally relevant counseling to incarcerated Alaska Natives.

Subsection (d) provides that the City of Whittier may issue bonds under its municipal powers and that the bonds may be secured by the revenues from the facility.

Section 3 adds a section of uncodified law to provide that AS 33.30.031(a) does not apply to the above-described agreement. AS 33.30.031(a) is a grant of authority to the commissioner of corrections that allows placement of prisoners in non-state facilities if the commissioner determines there is insufficient suitable space in-state.

The CS adds a new Section 4, authorizing Dept. of Administration to enter a lease-financing agreement for the expansion of the Y-K Correctional Facility in Bethel. Subsection (b) authorizes the state bond committee to issue certificates of participation of up to \$17,895,000, with estimated total costs for the expansion at Y-K of \$19 million. It further sets rent obligations at \$1.7 million and total payments over the term of the COPs at \$25.5 million. Subsection (b) also provides a definition of the phrase "cost of construction."

Subsection (c) sets forth the parameters for the state bond committee in financing the projects. Subsection (d) stipulates that the lease payments are subject to annual appropriation from the legislature, from the general fund or from any other valid source. Subsection (e) describes the project as expansion of the Y-K Correctional Facility by up to 96 beds and lays out costs. Subsection (f) states that the section constitutes required notice and approval of the project by the legislature.

Section 5 repeals unneeded portions of last year's legislation authorizing private prison in the Kenai Peninsula Borough.

Section 6 adds new uncodified law allows section 4 to take effect only if construction begins on the Whittier private prison.

Section 7 provides an effective date of July 1, 2002.

Section 8 ties the effective date for Sec. 4 to the day after the day the revisor of statutes is notified that construction has begun on the private prison authorized in Whittier.



ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE
STATE CAPITOL, JUNEAU, ALASKA

Sectional Summary for Finance CS

HB 498 – "An Act expressing legislative intent regarding privately operated correctional facility space and services; relating to the development and financing of privately operated correctional facility space and services; authorizing the Department of Corrections to enter into an agreement for the confinement and care of prisoners in privately operated correctional facility space; giving notice of and approving the entry into and the issuance of certificates of participation for the upgrade, expansion, and replacement of a certain correctional facility; giving notice of and approving the entry into lease-financing agreements for that project; and providing for an effective date."

Section 1 expresses the Legislature's intent that in Sec. 2-3 the Department of Corrections (DOC) secure additional prison space and services through a contract with the City of Whittier, similar to that currently contracted for outside the state. It further anticipates a privately-operated prison to bring competitive management styles and operations to Alaska. Finally, it expresses the intent that the initial per diem costs (excluding costs now excluded in the contract in Arizona, but including capital costs) should be in the \$89-\$91 range.

Section 2 in subsection (a) authorizes DOC to enter into a 25-year contract with Whittier for correctional space and services. Subsection (b) provides that the contract in (a) is predicated upon the City of Whittier having an agreement with one or more third-party contractors for construction and operation of the facility. It further requires that the City of Whittier procure the third-party contractors through a competitive procurement process. And it provides that the procurement requirements are satisfied if the City of Whittier follows its proscribed and lawful procedures under the general powers grant of the state municipal code (AS 29.35.010(15) (providing facilities for the confinement and care of prisoners).

Subsection (c) stipulates that the agreement authorized in (a) must cover a minimum of 1000 beds and the payment from DOC must cover the capital costs, including debt service, and operating costs for a period of five years from initial operation of the facility. The CS also includes a provision that the operating component must include a reasonable adjustment for costs not incurred until full occupancy.

Subsection (c) further provides that the payments under the agreement must be subject to annual appropriation by the legislature; that the agreement must contain a provision allowing for termination with the third-party contractor and procurement of a replacement contractor; and that the agreement is subject to a requirement that the contractor provide culturally relevant counseling to incarcerated Alaska Natives.

Subsection (d) provides that the City of Whittier may issue bonds under its municipal powers and that the bonds may be secured by the revenues from the facility.

Section 3 adds a section of uncodified law to provide that AS 33.30.031(a) does not apply to the above-described agreement. AS 33.30.031(a) is a grant of authority to the commissioner of corrections that allows placement of prisoners in non-state facilities if the commissioner determines there is insufficient suitable space in-state.

The CS adds a new Section 4, authorizing Dept. of Administration to enter a lease-financing agreement for the expansion of the Y-K Correctional Facility in Bethel. Subsection (b) authorizes the state bond committee to issue certificates of participation of up to \$17,895,000, with estimated total costs for the expansion at Y-K of \$19 million. It further sets rent obligations at \$1.7 million and total payments over the term of the COPs at \$25.5 million. Subsection (b) also provides a definition of the phrase "cost of construction."

Subsection (c) sets forth the parameters for the state bond committee in financing the projects. Subsection (d) stipulates that the lease payments are subject to annual appropriation from the legislature, from the general fund or from any other valid source. Subsection (e) describes the project as expansion of the Y-K Correctional Facility by up to 96 beds and lays out costs. Subsection (f) states that the section constitutes required notice and approval of the project by the legislature.

Section 5 repeals unneeded portions of last year's legislation authorizing private prison in the Kenai Peninsula Borough.

Section 6 provides an effective date of July 1, 2002.

Section 7 ties the effective date for Sec. 4 to the day the revisor of statutes is notified that construction has begun on the private prison authorized in Whittier.

HB 498 WHITTIER PRISON / BETHEL JAIL EXPANSION

Issues Summary

JUSTIFICATION

- In-state correctional facilities are experiencing the worst overcrowding in State history (**106% over emergency capacity**)
- Excessively crowded prisons and jails over tax facilities and staff, exposing inmates, staff and the public to an unreasonable risk of harm (riot, hostage, escape)
- Over crowded prison systems are subject to Court monitoring and Court control over Legislative and Executive branch prerogatives (fines & budget)
- Alaska was released from Court monitoring only one year ago. When released, over \$2 million in sanctions were waived. What penalty will be assessed when DOC is brought back for contempt of court?
- Alaska's correctional system is growing at the rate of 200 inmates per year. **If 1,000 to 1,500 beds are opened in Alaska by 2005, the system will be as full as it is today.**
- The Whittier prison will enable prisoners in Arizona to return to Alaska and provide relief to regional jails by transferring long term sentenced felons out of the regional jails, where programs are limited.
- At Bethel demand for beds is imminent. Demand in other Regional jails can only be determined after long term prisoners are transferred to prison beds.

COST

- The average daily **operating** cost for a state correctional facility ranges from a low of \$95 (Palmer) to a high of \$185 (Ketchikan), per bed, **without capital debt service**. The average state **operating** cost is \$114.36 per day, per bed.
- The amortized **capital** cost for a State built prison bed ranges from \$35 to \$50 per day, per bed
- The **combined capital and operating cost** for a State built and operated bed is \$138 (new Anchorage Jail) to \$156 per bed, per day, and higher outside of South Central Alaska
- The **Whittier combined capital and operating cost** is \$89 to \$91 per bed, per day, plus major medical
- While the Arizona beds cost \$65 per day, per bed, that does not include inmate health care, transportation (chartered jets & staff every 60 days) and administration costs

- Arizona beds do not make up for \$18 million in lost revenue, lost jobs and the economic multiplier effect that \$18 million has on the Alaska economy in purchase of goods, materials, services and creation of indirect jobs
- Arizona beds provide only partial relief to over crowding because of large numbers of Alaska pretrial (48%) and short term sentenced misdemeanants and felons, as well as probation and parole violators.

NATIVE PROGRAMS

- 37% of Alaska's inmate population are Alaska Native men, while Alaska Native men comprise only 7% of Alaska's general population
- Whittier and its prison contractor have signed a teaming agreement with the Alaska Native Brotherhood and the Kenai Natives Association to deliver programs for Natives, by Natives, currently not offered in State facilities, as well as first right of refusal to deliver prison contract services (e.g. food services, correctional industries)
- State prisons have not touched the tragic cycle of recidivism among Alaska Natives through conventional State programs. The State has nothing to lose, and everything to gain, by allowing the Native community to try to effect behavioral change among Alaska Native offenders
- At current rates of inmate growth, the Whittier prototype could be duplicated in newly developed facilities in other parts of Alaska within five years
- The Kenai Natives Association prison would be breaking ground this month had State Correctional Officer unions not invested a quarter of a million dollars in a campaign that successfully killed the project.

WHITTIER INFRASTRUCTURE

- The City is a strategically located former military base and has a **well developed utility infrastructure and deep water port**. Chugach Electric, Enstar Gas, Yukon Telephone and cable and abundant water are at, or near the site; an onsite sanitary sewer treatment is proposed similar to other state facilities
- First response, external emergency services in the Whittier/Girdwood area (15 minutes) currently consists of 8 troopers and police, over 100 on site correctional officers (after the prison is built), 47 fire fighters, 8 full response trucks, 33 emergency medical technicians, 4 emt trucks, Anton Anderson Tunnel emergency response vehicles and prison emergency response equipment and vehicles.
- Whittier is **50 minutes by highway from Anchorage fire, life, safety and health resources** in the event of natural catastrophe – closer than the State medium security prison at Sutton, Alaska and the maximum security prison in Seward

BENEFITS TO THE STATE

- Returns \$18 million per year to the Alaska economy, with an economic multiplier effect that benefits all Alaskans
- 325 union construction jobs available to all Alaskans
- 228 indirect construction related jobs
- 225 – 275 permanent prison jobs (correctional officers, nurses, therapists, teachers, administrators etc.)
- 200 permanent indirect jobs created as a result of prison demand
- Purchase of goods, materials and services associated with construction and operation over 25 years
- Mitigates State liability for personal injury and sanctions from prison overcrowding
- Returns Arizona prisoners closer to family and support systems
- Whittier is the only plan and legislation that expressly addresses Alaska Native programs
- Adds value to the \$90 million Anton Anderson Tunnel
- Offers a Government owned, privately managed comparison to State owned and managed prisons that has stimulated efficiency, cost containment and operating budget savings in other States

GOVERNOR'S REQUISITE FIVE PRINCIPLES FOR SITING A PRISON

1. Public Protection

- The contract between the State, the City and the Private contractor will require that the prison be **built and operated to state and national standards of safety.**
- The contract will include on site State monitoring and a provision to remove the contractor for fault

Prisoners are not released to the community and are **transported to and from the prison by troopers or D.O.C. transportation officers**
- Close proximity to extensive fire, life, safety and health resources in Anchorage renders protection to the public higher than most regional prisons

2. Best Correctional Practices

- It is axiomatic that a prison built and operated to the State and National standards of the industry will deliver "best correctional practice"
- The State D.O.C. must ensure that the standards are met in the inter-governmental agreement between the State and the City
- **Proximity to Anchorage ensures optimal access to stable staffing , mental health, adult education, vocational training and other services and rehabilitation resources not available in many small communities**
- Starting, untrained, recruit wage and benefits (\$36,000) are 20% lower than the State of Alaska, but higher than Correctional officers are paid in Seattle, Portland and other cities where cost of living is higher than the Anchorage area.
- Wage and benefits for other classes (e.g. nurses, data techs, etc.) are commensurate with Anchorage private sector wages, with an above average benefit package valued at 28%.

3. Community Participation / Govt. to Govt. Transaction

- **Whittier is a duly organized, second class city with access to the resources, sophistication and savvy necessary to protect the interest of its residents and negotiate a contract with the State that delivers best value to the State and the City**
- **Unlike Kenai, Whittier conducted an exhaustive public process to acquire local support of 80% of resident, adult, registered voters, before initiating the procurement process, or approaching the Legislature**
- Whittier retained the experienced procurement and construction law firm of Perkins Coie to design and administer a **competitive procurement process** which local State procurement expert Susan Burke testified was consistent with State competitive procurement procedure, as well as conforming to municipal code.
- The selections panel consisted of independent, unbiased Anchorage consultants and engineers experienced with design/build contracting practices, who analyzed and scored proposals from four national corrections companies through a customary competitive bid procedure.
- After the results were announced, **no protests or appeals were filed by the three companies that were not selected**

4. Statewide and Regional Needs

- The Whittier prison addresses regional needs by providing long term prison beds so sentenced prisoners can be transferred from regional jails, making room for pre-trial, pre-sentence, appeal and pre-release prisoners, as well



THE CITY OF WHITTIER

Gateway to the Western Prince William Sound

P. O. Box 608 • Whittier, Alaska 99693 • (907) 472-2327 • Fax (907) 472-2404

April 8, 2002

Representative Eldon Mulder
Co-Chair, House Finance
State Capitol
Juneau, AK 99801

Representative Bill Williams
Co-Chair, House Finance
State Capitol
Juneau, AK 99801

RE: HB498

Dear Representatives Mulder and Williams,

During public testimony on HB 498 (the Whittier Prison Bill), a representative from the Department of Corrections testified that the Whittier prison does not meet any of the Administration's five principles for locating and building a correctional facility in Alaska. The principles are: 1) Protecting Public Safety; 2) Consistent With Best Correctional Practices; 3) Community Participation Through Government-to-Government transactions; 4) Addressing Statewide and Regional Need; and 5) Cost Effectiveness.

I have asked the City of Whittier's contract correctional experts to analyze what, at first impression, appears to be a gross and irresponsible over statement by a State official. After analysis, all doubt is removed.

I PUBLIC PROTECTION

The contract between the City of Whittier and Cornell Companies turns upon Cornell's ability to build and operate a prison that will meet the accreditation standards of the American Correctional Association and the construction and operational requirements of the State of Alaska Department of Corrections.

As the third largest, and most diversified, private corrections company in the nation, there can be no question that Cornell is qualified to build and operate a prison in Whittier that satisfies the highest standards of the industry. The issue of public protection is, rather, a

question of whether staff, inmates and the public can be protected in the event of a life-threatening incident at a prison located in Whittier.

A life-threatening incident at a prison can be caused by external natural events, such as earthquake, tsunami and flood, or internal events such as fire, sickness, or a breach of internal security, such as assault, riot, hostage abduction or escape.

Federal, state, or private correctional facilities are, or should be, managed consistent with the established standards and practices of the industry. Prison administrators and staff are trained to manage prisoners and prisoner programs. As such, illness, injury, misbehavior, manipulation, attempted escape, the introduction of contraband and a host of other incidents of confinement are part of the daily fare of managing a prison.

Internal life jeopardizing incidents are rare in well built and well-managed medium security prisons, particularly in Alaska, with its softer inmate population. From an external safety standpoint, a Whittier Prison is analogous to the Spring Creek Prison in Seward, Alaska. Both the Seward facility and a Whittier facility would be situated on inland, saltwater bays that can be impacted by earthquake, tsunami or avalanche. Preliminary engineering reports indicate that the Whittier Prison site is as safe as the City of Whittier and the City of Seward. Before the Whittier facility can be built, however, these safety concerns need to be addressed. Built on a floodplain, the Seward prison had many of the same concerns.

With respect to catastrophic fire, health and safety issues that would require external resources, the cities of Whittier and Girdwood (twenty minute emergency response time) currently have 8 local troopers and police, 47 local firefighters, 8 full response emergency vehicles, 33 Emergency Medical Technicians, and 4 EMT units. This does not include the emergency response personnel and equipment stationed at the tunnel during normal tunnel hours. The prison facility itself will have emergency response equipment and over 200 employees on site, as well as an on-call emergency response team.

That does not mean that a modest increase in local emergency services isn't advisable considering the additional traffic and increased local population the prison will bring to the area. This would be the case no matter where a facility of this size is located.

Unlike the Seward prison, or any other regional facility, the most extensive emergency fire, life and safety back up resources in the State are only fifty minutes by highway from Whittier. In the event of natural catastrophe, life jeopardizing events, or escape, the Whittier Prison is closer to first response backup resources than the Palmer Correctional Center at Sutton and equivalent to the first response backup available at Seward. But the clear advantage of Whittier is that it is closer to Anchorage hospital, fire, and enforcement resources by half the distance, than Sutton or Seward.

II. BEST CORRECTIONAL PRACTICES

It is axiomatic that a prison built and operated to state and national standards will deliver "best correctional practices." It is incumbent upon the state to ensure that these standards are met in the Intergovernmental Agreement between the State and the City.

While there are minimum standards that represent "best correctional practice," the location of a prison plays a large role in the quality and continuity of programs and staff. Effective prison programs require access to mental health, adult education, vocational training and other reformation resources and practitioners that are in limited supply in most small communities. It is, likewise, easier to staff a facility that is situated near a large population base. Whittier's close proximity to Anchorage delivers all of these advantages.

With regard to size, small facilities with 100 or 200 beds do not enjoy the diversity and extent of programs available in facilities with greater economy of scale. Operational efficiency, program quality, and facility security are largely a matter of design and staffing. A 1200 bed prison in Whittier delivers the advantages of economy of scale without the warehousing disadvantage sometimes associated with the 2000 to 4000 bed prisons common to the federal system and other states.

III. COMMUNITY PARTICIPATION THROUGH GOVERNMENT TO GOVERNMENT TRANSACTIONS

Through its power of eminent domain, the State of Alaska can build and operate, or solicit private construction and operation of a prison any time, and at any place, easily bypassing the local public process. All it takes is suitable zoning or an unrestricted parcel of land.

The Whittier prison has gone through an exhaustive public process to acquire community support, select an acceptable site and procure a competent contractor. The City procurement was a competitive process designed and facilitated by the highly regarded Anchorage law firm Perkins Coie, who enlisted a neutral panel of experts and consultants with experience in design/build models of construction. There were four qualified national respondents, including Corrections Corporation of America. After the award there were no appeals to the City over the selection or process.

While small, the City of Whittier is a duly organized, second class city with, or with access to, the resources, sophistication and savvy necessary to sit at the negotiating table with the state and protect the interests of its residents, the integrity of the inter governmental agreement process, and deliver optimal value to the state.

IV. STATEWIDE AND REGIONAL NEEDS

The Whittier prison addresses statewide and regional needs by providing long-term prison beds so that sentenced prisoners in Arizona can return to Alaska and sentenced

prisoners in regional jails can be transferred, providing relief to regional jail overcrowding.

Appendix 1 to this letter is a cost and statewide bed demand analysis prepared for the House Finance Committee which shows that a 1200 bed prison in Whittier provides substantial relief to overcrowding in regional facilities, as well as addressing the demand for additional beds for sentenced prisoners.

V. COST EFFECTIVENESS

The final page of Appendix 1 is a cost analysis comparing the cost of a government owned, privately built and managed, 1200 bed prison at Whittier to a similar facility built by the State of Alaska. At a combined capital and operating average daily cost, per bed, of \$89 to \$91, there can be no argument that the state will not receive extraordinary value for the dollar when compared with a state built and operated prison.

Could the state, theoretically, achieve better value at some other location, or with some other contractor? Perhaps. But it is disingenuous for the Administration to suggest that a statewide competitive procurement issued directly by the Alaska Department of Corrections to private contractors (bypassing local government) could achieve better value for the state. For the past seven years, it has been the Administration's express preference that private prison services in Alaska be acquired through a "government to government" contract, leaving local governments with the burden of competing and tendering the service to the State through the local public process, the legislative process and, finally, to the State Department of Corrections.

Other communities have tried and failed. Whittier has learned by example and offers a project to the state that is quantifiably cost effective, meets the standards of the industry, satisfies legislative intent and addresses serious and imminent state needs at a time when no more cost effective approach has been offered. That sounds an awful lot like best value to me.

Sincerely,



Ben Butler
Mayor

cc: Commissioner Margaret Pugh

HB 498
Whittier Prison Bill

Cost and Bed Demand Analysis

*Prepared for House Finance Committee
by the City of Whittier*

THE ISSUE

*Transcript From Hearing On HB 498
Before The House Finance Committee 03/28/02*

QUESTION: “What accounts for the difference in cost between the Administrations’ regional correctional center expansion plan and the Whittier prison plan?”

ANSWER: “ Simply stated, the Administrations’ plan provides prison and jail services under one roof and intentionally avoids economy of scale by duplicating programs and services throughout the State. To understand what is happening you have to know the difference between a jail and a prison...”

Whittier Prison Consultant Frank Prewitt

For Full Text See Appendix II

EXECUTIVE SUMMARY

Total inmates under Alaska custody on 3/27/02 -----	4,678
Average annual growth rate -----	4%
(200 prisoners per year)*	
Total inmates under Alaska custody in five years -----	5,678
Total inmates under Alaska custody in ten years -----	6,678
Total In-State Capacity on 3/27/02 -----	3,897
(includes New Anchorage Jail and all Soft Beds, including CRC, Monitoring, etc.)	
Total In-state hard bed jail and prison capacity on 3/27/02 -----	3,007
(includes the new Anchorage Jail)	
In-State shortfall of total prison, jail and community beds in five years -----	1,781
(5678 five year projection less 3897 In-State Capacity = 1,781)	
In-State shortfall of total prison, jail and community beds in ten years -----	2,781
Inmates in prison and jail "hard beds" on 3/27/02-----	82%
Inmates under community supervision on 3/27/02 -----	18%
Hard Bed Shortfall In Five Years -----	1,649
(82% of 5678 inmates in 2005 = 4656 less 3007 In-State Capacity = 1,649)	
Hard Bed Shortfall In Ten Years -----	2,335

* The Department of Corrections 2000 Inmate Profile, charts the average annual rate of growth in the Alaska inmate population since 1984 as greater than four percent. Commissioner Pugh has likened the growth to filling a bathtub. Inmates are not leaving the system (going out the drain) as fast as they are coming in and the tub is overflowing. This is due to longer sentences. Without restructuring Alaska criminal procedure, or a major shift in Alaska demographics, there is no basis to conclude that the inmate population will not continue to grow at the same rate that it has for the last twenty years.

DEFINITIONS AND DEMOGRAPHICS

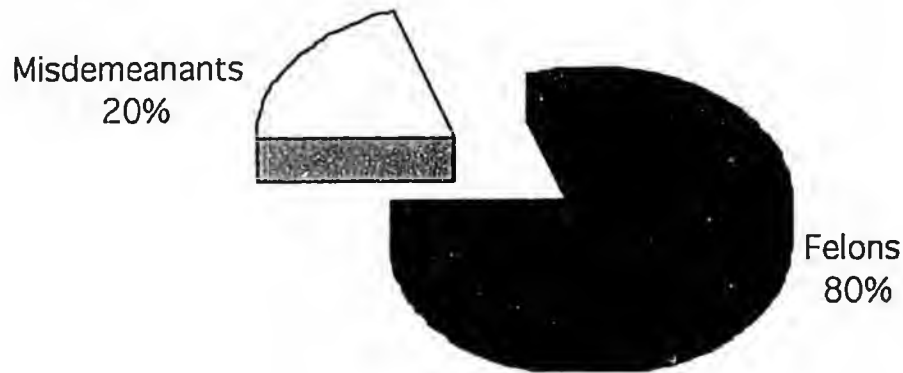
*Based on D.O.C. prisoner data from 1996-2000, 80% of inmates are felons**

A felony is a crime that is punishable by death, or imprisonment, for more than a year.

*Based on D.O.C. prisoner data from 1996-2000, 20% of inmates are misdemeanants**

A misdemeanor is a crime that is punishable by fine or by imprisonment for up to twelve months. Misdemeanants can serve more than twelve months incarceration if sentenced for more than one offense and the sentences are to be served successively rather than concurrently.

Percent of Prisoners by Type of Crime



Hard Bed is a term referring to any bed in a prison or jail.

Soft Bed is a term referring to a halfway house or community treatment center bed.

Custody level is the degree of supervision given each inmate to protect against escape or injury to staff or inmates. In order of severity the levels are *maximum*, *close*, *medium*, *minimum* and *community*.

Under the D.O.C.'s graduated release policy, convicted **felons** begin their sentence in a hard bed and work their way to a soft bed through responsible behavior and successful completion of prison programs.

40% of pre-trial and sentenced misdemeanants occupy soft beds, while repeat and long-term misdemeanants occupy hard beds due to escape risk, safety concerns, or lack of soft beds.

INMATE GROWTH & BED DEMAND

Department of Corrections Daily Reported Inmate Count

A Snapshot of the total inmate population on March 27, 2002

Type of Incarceration	Numbers	Type of Beds
Institutions (in state)	2,936	hard beds
Arizona	721	hard beds
Other out of state	24	hard beds
Halfway Houses (CRC)	707	soft beds (note 320 felons, 387 misd.)
Community treatment	23	soft beds
Halfway House (electronic monitor)	46	soft beds
D.O.C. Electronic Monitoring	96	soft beds
Pt Mac work farm	107	hard beds
Tents	18	hard beds
Total Inmate Population 4,678 (3,806 Hard Bed/872 Soft Bed)		

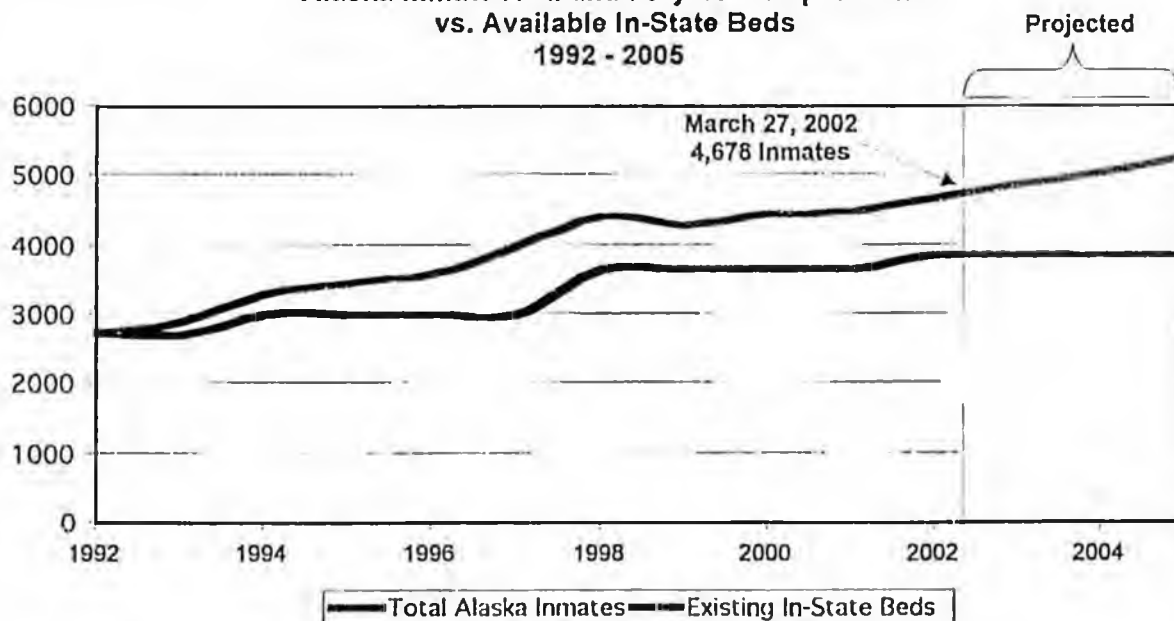
D.O.C. demographics show that 80% of inmates are felons. On March 27, 2002 there were 3,742 felons incarcerated by the State of Alaska. Of these, approximately 452 were in soft beds (320 soft bed felons in Halfway Houses and 80% of the other soft beds (80% x 165 = 132). Total, there were **3,290 long term sentenced, or high custody pre-sentence inmates awaiting long term sentences.** (3,742 total - 452 soft = 3,290)

There were 936 misdemeanants (20% x 4,678). Of these, 420 occupied soft beds. Total, there were **516 high custody, long-term sentenced, or high custody pre-sentence misdemeanants awaiting hard bed confinement because of dangerousness.**

3,290 felons + 516 high custody misdemeanants equals 3,806 hard bed, high custody, or long term prisoners in custody on March 27, 2002. At a conservative 4% per year growth rate, **by the year 2005 there will be a demand for 4,280 hard beds.***

The total in-state hard bed maximum capacity is 2,702. The new Anchorage jail beds will bring the system capacity to roughly 2,900. **By 2005 the system will be need 1,380 additional beds.**

**Alaska Inmate Real and Projected Populations
vs. Available In-State Beds
1992 - 2005**



*There are currently 872 soft beds in Alaska. Applying the same 4% annual growth rate, by the year 2005 there will also need to be 109 additional soft beds to avoid holding light weight prisoners in more costly hard beds.

MOVING SENTENCED INMATES OUT OF REGIONAL JAILS WILL RELIEVE OVERCROWDING

In conversations during the week of March 25th, Corrections administrators have said that

"The overwhelming majority of short term, low custody, misdemeanants and felons are already in soft beds, the rest are a threat to public safety and need to be in hard beds."

"We try not to hold prisoners with only a few days, weeks, or months sentence in hard beds... they are in soft beds because they're going back to the community in a short time anyway."

Snapshot of Total Sentenced and Unsented Inmates by Institution					
Type	Institution	Men Sentenced	Men Unsented	Women Sentenced	Women Unsented
Jail	Anvil Mt. (Nome)	45	67	5	5
Jail	Cook Inlet PT	83	360	0	0
Jail	Fairbanks	40	160	7	9
Prison	Hiland Mt. CC	0	0	80	145
Jail	Ketchikan CC	14	41	0	5
Jail	Lemon Creek CC	112	49	3	5
Jail	MatSu Pre-Trial	6	78	0	2
Prison	Meadow Creek	78	0	0	0
Prison	Palmer Med. CC	123	106	0	0
Prison	Palmer Min. CC	174	2	0	0
Jail	6 th Avenue	15	88	0	10
Prison	Spring Creek CC	538	10	0	0
Prison	Wildwood CC	254	17	0	0
Jail	Wildwood PT	47	46	3	7
Jail	YKCC (Bethel)	20	72	1	4
Total		1549	1096	99	192

<i>Totals</i>	<i>Unsented</i>	<i>Sented</i>
	1288	1648
	44%	56%

Source: Department of Corrections Daily Totals for March 27, 2002

With the probable exception of Bethel, it is both logical and irrefutable that transferring sentenced prisoners out of regional jails into prisons would provide monumental relief to regional facilities.

80% of today's unsentenced offenders are felons who will soon need to transfer to long-term prison hard beds. Inmates simply are not leaving the system as fast as they are coming in.

JUSTIFICATION FOR A 1200 HARD-BED PRISON AT WHITTIER

"Unfortunately, the State now has an over abundance of medium custody inmates."

D.O.C. Feb 2002 Master Plan, pg 3

52% of the total institution inmate population are medium or close custody

D.O.C. 2000 Offender Profile, pg 7

Based on conservative predictions, the total number of hard beds needed by 2005 will be 4,280. Using the D.O.C.'s figure of 52% of the total beds, the state will need 2,225 medium/close custody beds by 2005. (52% of 4,280 = 2,225)

Current In-State Prison Capacity for Medium/Close Custody

Highland Mt., Eagle River	225
Meadow Creek, Eagle River	78
Palmer CC medium	207
Springcreek, Seward (466 minus youth & max beds)	350
Wildwood, Kenai	249
Total Current Available Beds	1,109

The state will have a shortfall of 1,116 *medium/close custody* beds by the year 2005.

2,225	Projected Medium/Close Custody Bed Need
-1,109	Current Available Medium/Close Custody Beds
1,116	Shortfall of Medium/Close Custody Beds

The total hard bed shortfall in the year 2005 is 1,380 beds (see, Inmate Growth & Bed Demand). Even by adding the needed 1,116 medium/close custody beds, there is still *a need for 264 special need (e.g. youthful offender) or regional jail hard beds. Based on this forecast, there will also be the need for an additional 109 soft beds.*

1,380	Projected Total Bed Shortfall
-1,116	Medium/Close Custody Bed Shortfall
264	Shortfall of Special Need Beds such as Youthful Offender

Adding 1,380 hard beds and 109 soft beds by 2005 will still leave the correctional system in the same overcrowded condition (operating over emergency capacity) it is in today. *Optimally*, a system should run at 98% capacity, not 110% capacity, but that will require almost double the proposed beds.

SUMMARY

Even if the legislature authorizes 1,200 Whittier and an additional 200 to 300 regional or special need beds this session, the beds will not be available until 2005. Each year these needs are not addressed, the conditions become more dangerous. When prisons are over-crowded facilities wear out faster, routine is disrupted, security is compromised, and staff and inmates are exposed to an unreasonable risk of personal injury or death.

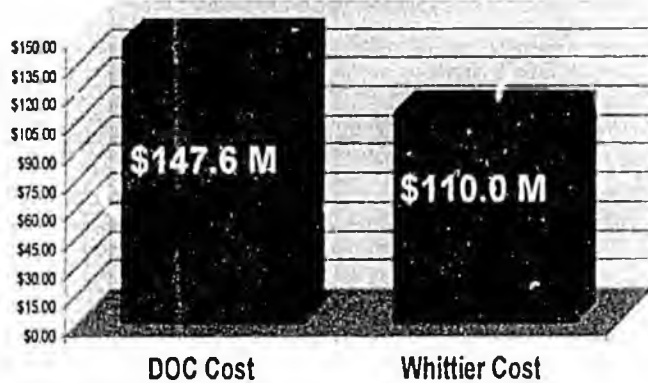
A 1,200 bed Whittier prison will provide the flexibility needed to avoid the costly expansion of regional jails by moving long term sentenced prisoners to a central, less costly and more program-effective location.

WHITTIER PRISON STATE / PRIVATE COST COMPARISON

In the Department of Corrections' February 2002 master plan, *Corrections & Community Partnerships: A New Way of Doing Business*, the Department lists the capital cost to add 726 beds to five existing correctional facilities in the Anchorage area. The reported average construction cost, per bed, is \$153,840. The cost to construct the new Anchorage jail was \$154,639 per bed. Fourteen years ago it cost more than \$150,000 per bed to build the maximum security prison at Seward.

Even applying a *generous* twenty percent reduction to the Department's proposed average cost per bed for "economy of scale" (\$153,840 less 20% is \$123,072), a state built 1200 bed prison would cost \$147.6 million to build (1200 beds x \$123,072 per bed). The probable capital cost of the privately built Whittier prison is \$110 million or \$91,666 per bed. (See Appendix 1)

State Prison vs. Whittier Prison
Construction Costs in Millions of Dollars



The average daily bed operating cost for a state owned prison or jail bed in the Anchorage area is \$70, plus inmate programs, health care, administration and indirect services which in 2001, totaled an additional \$33. Thus the average operating cost for an Anchorage area State prison or jail bed is over \$100 per day, per bed, *without including capital costs*. (See Appendix 1)

Daily Cost Categories (Source: Department of Corrections Daily Cost of Care)	Average Daily Bed Cost Per Prisoner
Inmate Programs	\$5.97
Inmate Healthcare (includes all healthcare, including major medical)	\$16.69
Division of Administration Support	\$4.08
Statewide Indirect (includes Transportation)	\$6.23

The combined capital *and* operating cost for the Whittier prison is \$89 to \$91 per day, per bed. However, under HB 498, the State pays for major medical (a portion the \$16.69 total average cost for inmate health care, per bed) and transportation (a portion of the \$6.23 average budget category called "statewide indirect" costs).

State Prison vs. Whittier Prison
Combined Daily Cost per Bed per Day



Under any scenario, the total cost to the State, combining operating and capital costs, for the Private Whittier beds is at, or about, \$105 per day, per bed, compared with the State's combined operating and capital cost per day, per bed, of at, or about, \$140.

The annual cost savings is \$15,340,000.

APPENDIX I

Attached to this cover are two letters from Commissioner Pugh to Senators Taylor and Torgerson dated March 22, 2001.

In the letter to Senator Taylor, the Commissioner confirms that an additional \$32 per day, per inmate, must be added to individual institutional averages to arrive at the institution's total actual operating cost per day, per bed (e.g. the Springcreek average is \$77.48 plus \$32, for a total daily operating cost, per bed, of \$109).

In the letter to the Senator Torgerson, the Commissioner confirms that construction costs for a State built prison or jail range between \$131,250 to \$156,250 per bed.

STATE OF ALASKA

DEPARTMENT OF CORRECTIONS
Commissioner's Office

TONY KNOWLES, GOVERNOR

431 N. PICTURE STREET, SUITE 200
JUNEAU, AK 99801
PHONE: (907) 465-4832
FAX: (907) 465-5292

March 22, 2001

The Honorable John Torgerson
Alaska State Senate
State Capitol, Room 427
Juneau, Alaska 99801

Dear Senator Torgerson:

Thank you for your letter of March 19, 2001, regarding HB 149, relating to a private prison in Kenai. In this letter, you asked five questions. Our answer to these questions is as follows:

Cost of construction: You indicate that the Borough has estimated capital costs at between \$60 and \$80 million, while the Department of Corrections has estimated higher numbers; you ask for an explanation of these differences. The Department of Corrections does not know what facility design the Borough is envisioning and thus we cannot speak to the costs of their proposal. We can arrive at a very rough estimate, however, of what it would cost to build an 800-bed medium security facility by applying certain assumptions:

a gross square footage per inmate of 434 square feet,
an infrastructure growth factor of 1.10,
construction costs of \$215 per square foot,
costs for needed site improvements and a perimeter fence, and
a project factor of 1.45 for the design of the facility, management of the construction, FF&Es, and contingencies.

Given the above assumptions, the state estimates total capital costs between \$105 and \$125 million. This does not include land acquisition costs. These figures calculate out to between \$131,250 and \$156,250 per bed. For informational purposes, the costs for the Anchorage jail were limited in HH 53 to \$146,000 per bed.

Cost of operation: You ask, "what cost per day are you estimating this facility will run?" The Department does not have sufficient information to be able to estimate costs for the facility. Costs are driven by numerous factors such as design, staffing levels, location, capacity, security level, etc. We can advise you that the institutional cost of care at Spring Creek (a maximum security facility for approximately 300 inmates) is \$77.48; at Palmer (which consists of both a minimum and a medium security facility for a total of approximately 400 inmates) it is \$62.03;

STATE OF ALASKA

DEPARTMENT OF CORRECTIONS
Commissioner's Office

TONY KNOWLES, GOVERNOR

431 N. Franklin Street, Suite 203
Juneau, AK 99801
PHONE: (907) 465-6802
FAX: (907) 465-3300

March 22, 2001

The Honorable Robin Taylor
Alaska State Senate
State Capitol, Room 30
Juneau, Alaska 99801

Re: SB 142

Dear Senator Taylor:

At Wednesday's Senate Judiciary hearing, several questions arose regarding SB 142, relating to the expansion of the Spring Creek Correctional Center for a youthful offender education program. This letter is to provide answers to some of those questions.

The first question related to the cost of care for prisoners at Spring Creek. The institutional cost of care at Spring Creek is \$77.48 per prisoner per day this fiscal year. The statewide average cost is \$78.96, which is very close to Spring Creek's costs. The total cost of care (as opposed to the institutional costs) is an additional \$32 per prisoner per day. The break down for those additional costs is \$6.00 for inmate programs, \$16.70 for health care, \$4.00 for the Division of Administrative Services' costs, and \$6.23 for statewide indirect costs.

This \$32.00 amount is added to each facility's institutional costs to produce a total cost of care figure. Thus, while the institutional cost of care for the inmates at Spring Creek is \$77.48, the total cost of care for those inmates is approximately \$109. Similarly, the average statewide institutional cost of care for prisoners is approximately \$79, while the average statewide total cost of care is approximately \$111.

As to class sizes, although there is no formula per se, we are anticipating approximately 20 students per class. We are working with the Department of Education and Early Development to address the questions raised about funding for instructors, etc.

If you have any further questions that I can answer, please let me know.

Sincerely,


Margaret M. Pugh
Commissioner

Senator Torgerson
March 22, 2001

Page 2

and at Arizona (a medium security facility where we have 800 inmates) it is \$54.57 per prisoner per day. Please note that these figures are just the institutional (or, in the case of Arizona, just the contract per diem cost) and does not include other costs such as medical.

Halfway housing: You have inquired whether the Department will require one or more halfway houses to be located in Kenai if a new prison is built there. The need for a halfway house in the Kenai area already exists and the Department looks forward to working with the Borough on this issue.

Staffing requirements: There is no "industry standard" or formula for determining proper staffing levels. Instead, a number of factors must be carefully considered to determine proper staffing levels. These factors include: Design of the facility, function of facility (jails vs. prison); its rated bed capacity; the security level of the institution; the custody level of the prisoners to be held in the institution; the level of admissions to the facility; and the programs to be provided.

Training requirements: The Department is not aware of any specific standards that apply for the training of personnel who work in private prisons. It is our understanding that training standards are set by the employer, perhaps with a certain level having been agreed to in its contract with the public sector partner. Alaska statutes require correctional officers in public facilities to be certified by the Alaska Police Standards Council. One of the requirements for certification is that the officer meet specified training standards, both during basic training and on an annual basis thereafter. Basic training is usually accomplished by the officer attending and successfully completing a program held at the state's Training Academy. Personnel who work in private prisons are not required by state law to be certified.

If you have any further questions, please let me know.

Sincerely,



Margaret M. Pugh
Commissioner

Appendix II

TRANSCRIPT FROM HEARING ON HB 498 BEFORE THE HOUSE FINANCE COMMITTEE 03/28/02

QUESTION: What accounts for the difference in cost between the Administrations' regional correctional center expansion plan and the Whittier prison plan?

ANSWER: "Simply stated, the Administrations' plan provides prison and jail services under one roof and intentionally avoids economy of scale by duplicating programs and services throughout the State. To understand what is happening you have to know the difference between a jail and a prison."

"Jails are meant to hold prisoners from arrest, until sentencing, and for very short sentences. The mission of a jail is safe and secure confinement... no frills, no programs, just confinement."

"After sentencing, felons and long term misdemeanants in other states, and the federal system, are transferred to central prisons designed to meet the inmates' security and program needs."

"A year, or so, before release, long term inmates should transfer to pre-release facilities (halfway houses) near their homes to prepare for a safe and successful reintegration."

"Effective prison programs require access to mental health, adult education, vocational training and substance abuse resources that are in limited supply in most Alaska communities."

"Duplicating programs in regional facilities throughout the State is inefficient, cost prohibitive and often ineffective because quality and program continuity are hard to maintain."












"The question isn't whether beds are needed, the question is how many, what kind and where?"

"The Department's master plan says that 'the state now has an over abundance of medium custody inmates.' The Department needs over 1200 in-state beds for long-term prisoners. That doesn't mean that additional beds aren't needed at other facilities in hot spots like Bethel, or the Seward Youthful Offender program..."

But, until jails are used as jails and prisons are used as prisons, it is hard, if not impossible, to accurately determine regional demand."

Whittier Prison Consultant Frank Prewitt

Benefits to the State

-  Returns \$18 million per year to Alaska economy; economic multiplier effect benefits all of Alaska
-  325 Union construction jobs*
-  228 Indirect construction related jobs*
-  225-275 permanent prison jobs*
-  200 permanent indirect jobs*
-  Purchase of goods, materials and services associated with construction and operation over 25 years
-  35% less costly than State built and operated prison beds
-  Mitigates state liability for prison overcrowding
-  Returns Alaska prisoners nearer to Alaska rehabilitation resources and families
-  Only prison plan that focuses on Alaska Natives with programs *for Natives by Natives*
-  Adds value to \$90 million Anton Anderson Tunnel

* Adapted from Information by Scott Goldsmith, University of Alaska

* Department of Corrections Master Plan
 "Corrections + Community Partnerships
 A New Way of Doing Business"
 February 2002

Summary

Location	# Beds	Type	Total Cost (Millions)
Bethel	96	Jail/Sentenced	\$18.594
Fairbanks	80	Jail/Sentenced	\$15.152
Palmer	217	Medium/Sentenced	\$44.494
Seward	150	Juvenile/Sentenced	\$28.130
Mat-Su	102	Jail	\$27.517
Anchorage	192	Jail/Special Need	\$26.428
Pt. Mac	88	Minimum/Sentenced	\$9.908
Kenai	256	Medium/Sentenced	\$50.050
Juneau	64	Jail/Sentenced	\$11.312
Ketchikan	24	Jail	\$7.478
Total Beds	1,269	Total Capital Costs	\$239.060
		For beds and Infrastructure	
\$111 Average Daily Cost Per Bed	1,269	Annual Operating Cost	\$50.1

"The State now has an overabundance of medium custody inmates"

Page 2, *Corrections + Community Partnerships - A New Way of Doing Business*, February 2002

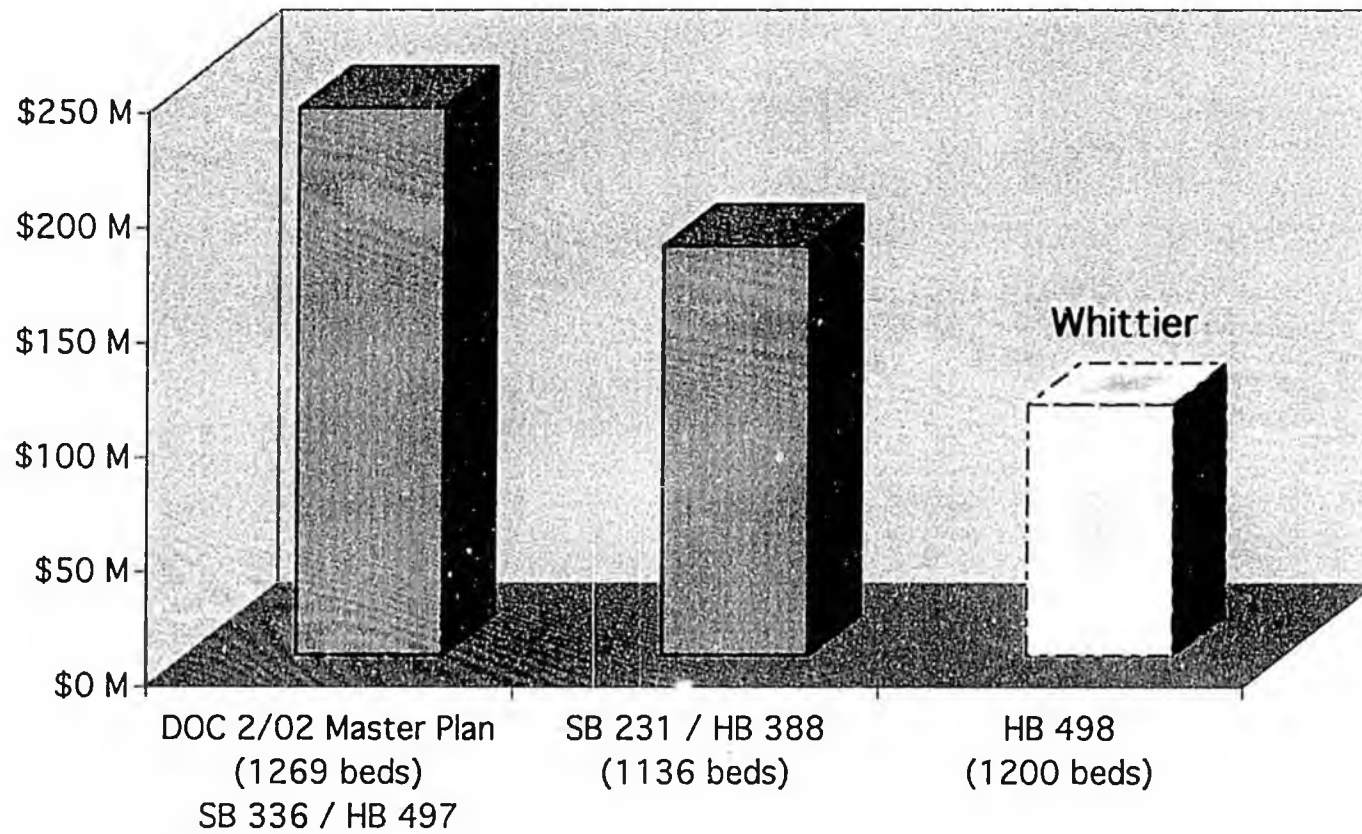
Medium Security Prison Space Demand

Palmer	217
Kenai	256
Arizona	750 (High Medium)

Total Beds Needed 1,223

* Senate Bills 336 and 231 and House Bills 497 and 398 are designed to implement this plan in whole or in phases

Proposed Capital Costs: 1200 Beds



Instate Inmate Count - Alaska Department of Corrections - February 2002

	104	403	211	233	58	170	85	78	214	176	108	486	255	113	92	Emergency Cap		2786
	102	397	200	225	52	164	82	78	207	176	104	466	249	112	88	Maximum Cap	2702	
Day	AMCC	CIPT	FCC	HMCC	KCC	LCCC	MSPT	MCCC	PCCmed	PCCmin	SIXTH	SCCC	WCC	WPT	YKCC	Totals	Over Max	
1			203	222	57			77		176				94	91	2859	106%	
2			206	224			85	77		176	108			106		2887	107%	
3			204	226				78		176				105		2907	107%	
4				226			85	75		178				104		2916	108%	
5			211	226			83	77		176				105		2921	108%	
6				226				77		176	107			104		2913	108%	
7				230			84	77		176	107			103		2917	108%	
8				231	55		82	77		175	108			111		2905	107%	
9			211				85	77		175	107			110		2920	108%	
10							85	77		175	108			109		2932	108%	
11						168	85	77		176	101			103		2916	108%	
12				232		169	84	77		176	100			104		2912	107%	
13			210	229			82	77		176	107			106		2915	107%	
14				227			78	77		175	104			97		2909	107%	
15				222			79	77		178				110		2928	108%	
16				223			75	77		176				111		2938	108%	
17				231			75	78		176				109		2944	108%	
18				230			81	78		175	106		253	108		2943	108%	
19				230			79	78		176	104		252	105		2946	108%	
20				226			80	78		176	106		253	109		2942	108%	
21				218	58		79	78		176	107			109		2939	108%	
22			204	216	57		79	76		176				107		2931	108%	
23				219			77	76		176				110		2951	108%	
24				218			81	75		176				110		2952	108%	
25				217			85	78		176				97		2961	109%	
26				215			82	78		176				102		2963	109%	
27				215			81	77		176	102			102		2917	107%	
28				212	57		82	77		176	102			99		2920	107%	
Avg.	113	437	214	225	61	177	82	77	228	176	110	541	261	105	104	2911	108%	104%

■ = Over Maximum Capacity

■ = Over Emergency Capacity

Department of Corrections Daily Totals

Institution	MEN Sentenced	MEN Unsentenced	WOMEN Sentenced	WOMEN Unsentenced	Total
Anvil Mt. (Nome)	42	61	1	3	107
Cook Inlet PT	83	355	2	1	441
Fairbanks CC	47	141	10	12	210
Hiland Mt. CC	0	0	129	86	215
Ketchikan CC	15	43	3	3	64
Lemon Creek CC	101	59	3	10	173
MatSu Pre-Trial	7	72	0	1	80
Meadow Creek	78	0	0	0	78
Palmer Med. CC	100	130	0	0	230
Palmer Min. CC	173	3	0	0	176
6 th Avenue	28	68	0	4	100
Spring Creek CC	535	10	0	0	545
Wildwood CC	243	16	0	0	259
Wildwood PT	16	72	3	2	95
YKCC (Bethel)	26	87	1	7	121
Total	1496	1117	152	129	2,894

Percentages of Sentenced and Unsentenced

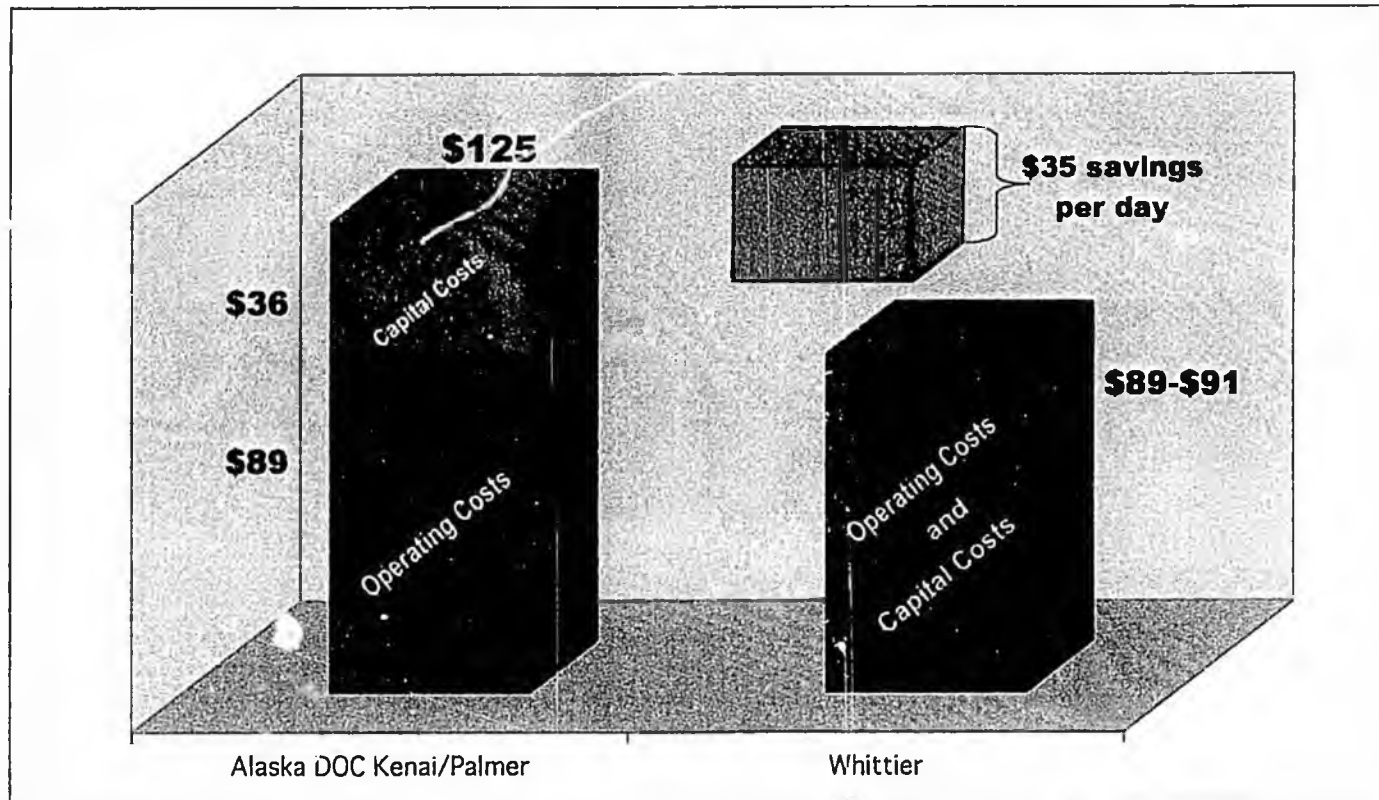
Unsentenced	Sentenced	Total
1246	1648	2,894
43%	57%	100%

Capitol and Operating Cost Comparison

Pivate vs. State Medium Security Beds

South Central Alaska

Attachment 5



Notes:

1. \$89 is the Wildwood and Palmer Average Daily Cost of Care, plus Inmate Programs, Admin and Support, and Statewide Indirect, less Major Medical.

2. \$36 is the Construction of the State's Planned Palmer and Kenai medium security prison additions (473 beds) amortized over 25 years.

Source: D.O.C. Daily Cost of Care (effective January 1, 2001) Published 12/7/00

HB 498

Subject: [Fwd: Private prisons]

Date: Wed, 27 Mar 2002 15:52:22 -0900

From: Representative Eldon Mulder <Representative_Eldon_Mulder@Legis.state.ak.us>

Organization: Alaska State Legislature

To: Denny DeWitt <Denny_DeWitt@Legis.state.ak.us>

Subject: Private prisons

Date: Wed, 27 Mar 2002 14:12:51 -0000

From: "howardw" <howardw@gci.net>

To: <Representative_Eldon_Mulder@legis.state.ak.us>,
<Representative_Bill_Williams@legis.state.ak.us>

My name is Howard Wassilie, I am a correctional officer for the State of Alaska in Bethel. I am not in support of the private prison.

1. Because of the monitors and staff have a very high turn in their work force.
2. Employee complaining about the wages and the hostilities they face in the facility.
- 3.No Union representation in the private facilities.
- 4.Lack of understanding what steps to take when faced with a uncooperative inmate during the night shift.
- 5.Every area is different and so the cultures are different.

A.language barrier

B.life styles

Expanding the local facilities and other rural facilities, like Bethel(state facility), can be very instrumental in finding ways for the inmate to rehab from where the inmates culture is located in the state. Instead of adapting to one way in another area, and going back to the area,,where that kind of rehab, that does not have the time or money to give the inmate a chance to fully recover. Bethel does have the man power and the facilities to do the kind of work that is needed to accomplish this, if the finance committee can check the resources in Bethel, you will see that the rehab facilities here are equipped to do and the man power. Can I ask you to distribute this to the Finance committee to be read as a testimony? Thank you.

BILL J. ALLEN
Publisher

Voice of the Times

A CONSERVATIVE VOICE FOR ALASKANS

WILLIAM J. TODIN
Senior Editor

Time to break impasse on prisons

By FRANK PREWITT

ANWR, subsistence, the budget deficit, "all day long the noise of policy war rolls across the winter sea" muffling the sound of a lesser battle where loss, rather than quality, of life is threatened. The engagement is over how best to manage Alaska's prisons and jails. Like other battles, the impasse from years of turf struggle weighs most heavily on the innocent and powerless. In Corrections' case, innocent staff and powerless offenders.

Twelve out of Alaska's 15 correctional facilities are, again, operating at emergency levels of overcrowding. Bad things happen when prisons and jails are overcrowded. Facilities and equipment break down, tempers flare, routine is disrupted, security is compromised and people get hurt, sometimes killed.

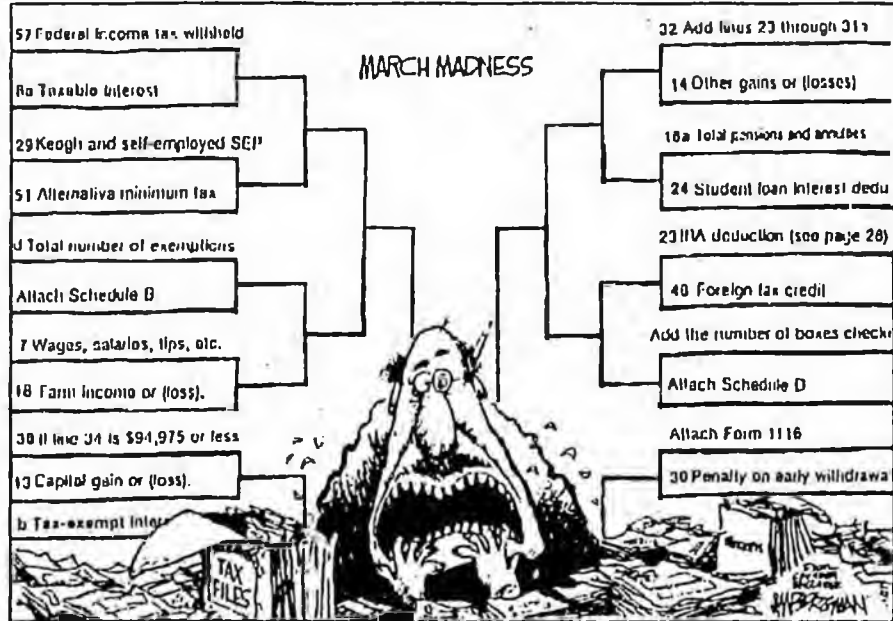
These life-threatening conditions are the result of a philosophical standoff between two legitimate, but distinctly different approaches to managing state resources.

One approach is the Department of Corrections' new master plan, "Corrections & Community Partnerships: A New Way of Doing Business." This session, four bills have been introduced to implement this plan. But rather than "a new way of doing business," the plan simply re-packages the old, increasingly impractical and cost-prohibitive approach to managing correctional services.

The other approach is the Whittier prison plan. The most obvious distinction between the two is the cost for the proposed beds. The department's plan adds 1,269 beds, to 10 facilities, for a construction cost of \$239 million. The Whittier private/public partnership adds the same number of beds, in one central facility, for a construction cost of \$110 million.

At an average daily operating cost, per bed, of \$111, the department's plan will increase the operating budget by nearly \$60 million, plus capital costs. The Whittier prison provides the same number of beds for a combined daily capital and operating cost of \$89 to \$91 per bed.

Both plans meet state and national



standards. The difference is that Corrections' plan continues the practice of housing prison and jail services under one roof, sacrificing economy of scale in favor of duplicating services throughout the state.

Jails are meant to hold prisoners from arrest to sentencing and through appeal. The mission of a jail is safe and secure confinement — no frills, no programs, just confinement. After sentencing, most convicted felons in other states and the federal system are transferred to central prisons designed to meet their security and program needs. Only prisoners with short sentences remain in local jails.

Prisons require access to mental health, adult education, vocational training and other resources that are in limited supply in many Alaska communities — resources like CIRI's Southcentral Foundation, the University of Alaska, the Alaska Native Medical Center and a host of other programs and practitioners committed to fostering behavioral change in people. Within a year or two of release, offenders should be transferred to halfway houses, close to family and the community support systems needed for successful reintegration.

Duplicating these services in facilities

throughout the state is inefficient, expensive and often ineffective because quality and continuity are difficult to maintain.

The department's plan adds 473 beds for sentenced felons in Palmer and Kenai. Add 750 Alaskan prisoners in Arizona and the state needs all 1,200 of the beds proposed by the Whittier plan. There is also a need for jail beds at other facilities around the state. But until jails are used as jails and prisons are used as prisons, it is difficult, if not impossible, to determine regional demand.

Edmund Burke said, "all government — indeed, every human benefit and enjoyment, every virtue and every prudent act — is founded on compromise and barter." It is time to compromise or barter through the impasse in Corrections by expanding state and municipal jails where there is a clear need, and by supporting private/public partnerships that can build and manage new prison beds at lower public expense.

The state simply cannot afford to become stuck fast in yesterday's way of doing business.

Frank Prewitt, an Anchorage attorney, is former commissioner of Corrections and a consultant to the Whittier prison project



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OPINION

COMPASS: *Points of view from the community*

Prison in Whittier makes sense

By BEN BUTLER

Last year the governor and Alaska Legislature gave the Kenai Peninsula Borough the opportunity to develop a recession-proof industry that would have created hundreds of local jobs and generated millions of dollars in annual revenue now spent in Arizona. Had the state been offering to buy a conventional service or product from the Kenai borough, the project would likely be well under way. But the product the state needs is a prison, and Kenai Peninsula voters turned the project down.

The Kenai Peninsula has a diversified economy and can evidently afford to be picky. In Whittier our options are more limited. We are the western gateway to Prince William Sound, we manage a small deepwater port and offer modest commercial and recreational services. What we lack is the revenue-generating capability to repair, let alone expand, our facilities, stimulate growth and stabilize our economy. For the past three years we have been searching for an anchor tenant industry to jump-start economic development and add value to the nearly 100 million state and federal dollars invested in the tunnel that connects Whittier to Alaska's population base.

In 1998 the Legislature approved renovating surplus military facilities into a prison to help the economy of Delta Junction and return dollars, jobs and inmates to Alaska. The National Missile Defense program pre-empted the plan, and the Kenai Peninsula Borough seized the initiative to transfer the project to Kenai,

Anchorage would realize the direct and multiplied economic benefits associated with a multimillion-dollar construction project and annual revenues, without the perceived liability of a prison in its back yard.

adding an important emphasis on Native rehabilitation programs. From our perspective, the Kenai prison plan made good sense. But there are many reasons Whittier makes better sense, and we want to make our case to our Anchorage neighbors, a case that could not be made before the tunnel opened.

First, the general arguments favoring development of a local government-owned and privately operated prison in Alaska remain the same. For the past seven years, Alaska has successfully housed 800 prisoners in a privately owned and operated prison in Arizona. Why can't the success story be duplicated in Alaska?

In returning the prisoners to Alaska, some community would be the beneficiary of a multimillion-dollar construction project, more than 200 permanent local jobs at the facility and \$28 million in annual revenue circulating through the local economy, creating even more jobs

and opportunity.

Second, the greatest demand for prison beds, and the most economical place to build a facility, is near Anchorage and its services, resources and large population. Thousands of people each day commute from Wasilla, Palmer, Chugiak and Eagle River into Anchorage. With the new access tunnel, Whittier is now an easy commute from Anchorage and communities in between.

Third, a prison developed in Whittier makes sound economic sense for the state, the Municipality of Anchorage and Whittier. The state would realize the budget efficiencies enjoyed by Anchorage-area correctional facilities, such as lower costs for transportation, medical care, construction, programs and staffing. Anchorage would realize the direct and multiplied economic benefits associated with a multimillion-dollar construction project and annual revenues, without the perceived liability of a prison in its back yard.

And fourth, unlike other communities, we want it. The economies of scale of a project this size would open the tunnel full time, reduce and hopefully eliminate the tunnel toll, increase municipal revenue, develop municipal infrastructure and enable public service to keep up with commercial and recreational demand.

Over the past few months we have taken the planning and procurement steps necessary to present our proposal to the Legislature and governor and ask for your support.

■ Ben Butler is mayor of Whittier.

Whittier negotiates contract with prison company

Council's unanimous vote opens talks with Cornell Companies

By Cheryl Dalena
Turnagain Times
Whittier Correspondent

Whittier's pursuit of a private prison moved forward last month with a unanimous vote by the Whittier City Council directing City Manager Matt Rowley to negotiate a contract with Cornell Companies. Cornell would partner with the city to obtain financing from the Alaska Legislature for the 800-bed medium-security private prison, which the city proposes to build at the head of Passage Canal. Cornell would operate the prison for the state.

The city council held a special meeting on Dec. 21 to consider the bidders that responded to its request for qualifications for the prison project and the recommendations of the selection committee. The city sought bids from companies that are already operating prisons in other parts of the country. Alaska currently doesn't have any private prisons.

The selection committee, appointed by the mayor, reviewed the two proposals - one from Cornell Companies and the other from Corrections Corporation of America. The committee was comprised of John Bost of Mikunda, Cotrell and Associates, an accounting firm in Anchorage and Jim Dokoozian of Locher, LLC, a construction consulting/project management firm that was recommended by the city's attorney. Jerry Protzman of Dojer Ltd. in

Whittier served as a local business representative on the committee.

Members of the selection committee independently scored the proposals based on the criteria set forth in the city's bid specifications. In a Dec. 20 meeting, the committee made its recommendation by ranking Cornell Companies the higher of the two proposals. The committee noted that Whittier was fortunate to have two strong proposals.

Cornell has already made several attempts to build a private prison in the state. The company won legislative support last year for a prison in Kenai, but the plan was shelved by Kenai Peninsula Borough voters in October. Earlier, the company became embroiled in the controversy over building a private prison at Fort Greel, near Delta Junction, when it acquired Anchorage-based Alvest, which had started the siting process. The Delta Junction prison proposal also died because of local opposition.

So far most of the opposition to the Whittier prison has come from outside the community. Public employee unions, who have led the opposition to previous attempts to build private prisons, are now organizing against the one in Whittier. They want the state to expand the state's existing regional prisons to house Alaska inmates who are incarcerated at a private prison in Arizona. The Republican-domi-

Prison

Continued from Page 6

nated legislature favors a private prison instead.

Whittier's mayor and city manager see the prison as an opportunity to develop year-round jobs in a town highly dependent on summer tourism and fishing. Whittier's residents don't seem to be opposed to the prison, but have a lot of questions and want to ensure that Whittier benefits from hosting it.

ALASKA

ANCHORAGE DAILY NEWS • www.adn.com

THURSDAY, JANUARY 31, 2002

Communities supported prison until union's smear campaign

Frank Smith makes some good points about problems in the justice system, too bad they are lost in his mean-spirited diatribe against the many Alaskans who do, indeed, support privately managed prisons.

The facts are that a majority of citizens in Delta Junction voted twice to develop a private prison on Fort Greely. The facts are that the Kenai Borough Assembly, mayor, business community and many others supported the Kenai Native Association's proposal to develop a prison on their land. The Kenai vote was lost after state employee unions dumped more than \$100,000 in a smear campaign to discredit anyone associated with the project. A majority of Whittier voters now see Kenai's loss as their opportunity. But the Turnagain Times reports that "public employee unions, who led opposition to previous attempts to build private prisons are now organizing against Whittier" ("Whittier negotiates contract with prison company," Jan. 17).

By the way, Mr. Smith doesn't list his position on the executive board of the retiree chapter of the Alaska State Employee Association union among his credits. Evidently Smith has no more productive way to spend his state retirement than shooting at Alaskans from the back porch of his Kansas home. If you want his Kansas e-mail address, just ask the mayor of Whittier, he is a regular pen pal.

— George Wright
Juneau

COMPASS: *Points of view from the community*

Private sector can ease prison costs

By FRANK PREWITT

Like a carefully designed tapestry, the problems of subsistence, declining revenue and billion-dollar deficits are manageable only when seen as the sum of their parts. One worn corner of the tapestry, badly in need of repair, is corrections and the skyrocketing cost to house prisoners in Alaska.

So long as safety is ensured, most of us would prefer to spend less on prisoners and more on health, education, public works, the environment and economic development, a move that might even reduce the need for prisons.

Corrections is one of the largest agencies in state government. Over the past 15 years it has doubled in size and now consumes over \$160 million in annual operating funds. The average daily cost of care, per prisoner, is \$111, compared to a national average of \$58.

Part of the problem is that our regional correctional facilities lack the economies of scale to be cost effective and should be run as jails, rather than multipurpose facilities as they are now. But nothing drives the cost of corrections as much as personnel, who account for nearly 80 percent of the department's budget.

In a recent monograph entitled "Emerging Issues on Privatization," the U.S. Department of Justice reports that "where correctional officer salaries and fringe benefits have been excessive, privatization has led to cost savings (and) forced the public sector to re-examine how it conducts business." The report concurs with Arizona's auditor general who found that private prison contractors "met or exceeded Department operational standards at a cost averaging about 12 percent less than state operated beds for similar inmates." (Report No.



With no municipal, county, federal or private facilities in Alaska, corrections has, by default, become a government monopoly, inflating costs beyond industry norms and driving Alaska prisoners to Arizona.

01-13 July 2001)

Last July, the Alaska Department of Labor reported that when total costs (including taxation, but excluding the Permanent Fund dividend) for a family of four are compared, the cost of living along the Seward to Fairbanks railbelt is less than Seattle and Portland, and comparable to Eugene, Boise and Spokane. It should, therefore, be fair to assume that Alaska's correctional officer wages bear some rational relationship to those states. They do not.

The 2000 Corrections Yearbook, published by the Criminal Justice Institute Inc., lists correctional officer salaries by state. With a high school education and training, correctional officers in the Northwest are paid an average starting salary of \$25,547; Alaska pays \$37,020. The average maximum salary in Oregon, Idaho and Washington is \$35,941. In Alaska it's \$58,000, 55 percent higher than the Northwest and national average.

In addition, Alaska pays a geographic differential, cost of living allowance, 20-year retirement and week on/week-off work schedules not enjoyed by Washington, Oregon or Idaho. Incredibly, at the end of the pay scale, the annual wage and benefit package for a Bethel correctional officer is over \$95,000. Transfer to Bethel for your last three years of state employment and your lifetime retirement is based upon those "three high

years." Many officers do just that.

With no municipal, county, federal or private facilities in Alaska, corrections has, by default, become a government monopoly, inflating costs beyond industry norms and driving Alaska prisoners to Arizona, where the state can afford the service.

This year, Senate Bill 231 proposes to expand seven state prisons and jails by 1,136 beds, at a construction cost of \$176 million. To pay that off will cost \$.75 per prisoner, per day, for the next 20 years. Add the department's \$111 operating cost and the total cost, per prisoner, per day, is \$157. Whittier's private sector/local government partnership can provide the same service, paying union construction wages and competitive correctional officer wages, for a total capital and operating cost of under \$95 per prisoner, per day, saving the state over \$26 million per year.

During the '90s, federal authorities and a growing number of states recognized that corrections, like social service, is no longer the sole province of government. To sustain a dynamic, quality-driven, 21st century correctional system, Alaska's public and private sector must work together to offer safe and effective service, at a fair price.

■ Frank Prewitt is an Anchorage attorney, corrections consultant and former state commissioner of corrections.

Monday, January 21, 2002

Prison costs confine states

■ **CORRECTIONS:** Budget deficits lead to closures. calls for shorter sentences.

By FOX BUTTERFIELD
The New York Times

After three decades of building more prisons and enacting tougher sentencing laws, many states facing budget deficits are closing prisons, laying off guards and considering ways to shorten sentences.

In the past month, Ohio, Michigan and Illinois have each moved to close a prison and lay off guards.

Washington state is considering

a proposal by Gov. Gary Locke to shorten sentences for nonviolent crimes and make it easier for inmates to win early release, saving money by shrinking the prison population. Colorado and Illinois are delaying building prisons, and Illinois is cutting education classes for 25,000 inmates.

California, which led the nation's prison-building boom, will close five small, privately operated minimum-security prisons when their contracts expire this year.

Budget pressures also add momentum to a proposal on the California ballot in November that

would reduce the number of criminals subject to the state's three-strikes sentencing law, as a way to reduce the number of prison beds.

"I don't know of a correctional system in the country that isn't facing some of this," said Chase Riveland, a former director of Washington state prisons and now a prison consultant.

Steven Ickes, an assistant director of the Oregon Department of Corrections, said. "My sense is that budget problems are making people ask fundamental questions about

See Back Page, PRISONS

Tightening belts

• **MICHIGAN** recently closed a medium-security prison as well as a halfway house and a work camp.

• **OHIO** is closing a maximum-security prison with 1,700 inmates.

• **ILLINOIS** is closing the Joliet Correctional Center and is saving \$5.4 million by cutting many classes for inmates.

• **CALIFORNIA** will not renew licenses for five small, private prisons for minimum-security inmates later this year.

PRISONS: Pressure grows in California to limit reach of three-strikes law

Continued from A-1

whether we can afford to keep on doing what we've been doing," locking up more criminals for longer periods.

"We are going to have to make some tough choices about prisons versus schools and about getting a better investment return on how we run our prisons so we don't have so many prisoners reoffending and be-

ing sent back."

Since the early 1970s, the number of state prisoners has increased 500 percent, growing each year in the 1990s even as crime fell. In that time, prisons were the fastest-growing item in state budgets — often the only growing item. There are more than 2 million inmates in state and federal prisons and local jails, costing more than \$30 billion a year,

said Allen Beck of the Bureau of Justice Statistics.

In those years, said Franklin Zimring, director of the Earl Warren Legal Institute at the University of California at Berkeley, public pressure to get tough on crime made prison budgets virtually untouchable. But with crime down or leveled off in the past nine years, political pressure has abated. And with the slow economy,

many states are cutting spending to balance their budgets.

"This means that prisons must now compete by everybody else's rules for scarce budget resources," Zimring said.

But whether fiscal restraints will lead to fewer people in prison is less clear, Beck said. In the second half of 2000, he said, the number of inmates fell for the first time since 1972 as

crime dropped.

"My best guess," Beck said, "is that the economic restraints are going to be offset by the rigidity of the sentencing laws of the 1990s, which mandated longer sentences.

"What we may have is stability, with the prison population continuing to grow, but slowly, in keeping with the population of the United States."

BJA Bureau of Justice Assistance

Emerging Issues on Privatized Prisons

James Austin, Ph.D.
Garry Coventry, Ph.D.

National Council on Crime and Delinquency

February 2001

Monograph

NCJ 181249

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The Bureau of Justice Assistance is a component of the Office of Justice Programs, which also includes the Bureau of Justice Statistics, the National Institute of Justice, the Office of Juvenile Justice and Delinquency Prevention, and the Office for Victims of Crime.

The Future of Privatization

Despite these criticisms, privatization still provides a vital function within the correctional system. Although the private sector has been unable to keep its promise of greatly improving prison operations, its mere presence has had a significant impact on traditional prison operations. Gaes and colleagues (1998) acknowledge that privatization has forced the public sector to reexamine how it conducts business. Certainly in those markets where correctional officer salaries and fringe benefits have been excessive, privatization has fostered a reexamination of those costs, which has led to cost savings. In this sense, privatization has served as a catalyst for change by demonstrating other means for doing the business of corrections. As limited as they are, however, these cost-saving innovations should not be the only items on the privatization agenda.

It would be extremely interesting and productive for the private sector, in partnership with the public sector, to become the vehicle for testing far more substantive changes in correctional policy in a number of areas—not just prisons and jails. For example, an extremely promising strategy would be for the private sector to test the long-term effects of state-of-the-art correctional programming in reducing recidivism in the areas of education, vocational training, and various forms of counseling, both in prison and after release. One could also test the effects of reducing prison terms and other correctional policies using the flexibility of the private sector. Finally, new management techniques, staff training, and facility designs could be tested by the private sector under controlled conditions. All such innovations should be directed at reducing the current ineffective correctional practices rather than producing a system that is less expensive but as ineffective as the public-sector system.



State of Arizona
Office
of the
Auditor General

PERFORMANCE AUDIT

**ARIZONA
DEPARTMENT
OF
CORRECTIONS
Private Prisons**

Report to the Arizona Legislature
By Debra K. Davenport
Auditor General

July 2001
Report No. 01-13

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Private Prisons subprogram at the Arizona Department of Corrections (Department) in response to a June 16, 1999, resolution of the Joint Legislative Audit Committee. This performance audit was conducted under the authority vested in the Auditor General by A.R.S. §41-1279 and as part of the Sunset review set forth in A.R.S. §41-2951 et seq. This audit is the fourth in a series of six audits of the Department of Corrections. Previous audits focused on Security Operations, Human Resources Management, and Support Services. The remaining audits will focus on Agency Information Systems and Correctional Industries.

Arizona statutes a
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tract for prisons if
ile still providing
e Department has
private prison facilities,
with a total capacity of 1,450 inmates. These facilities, located in Florence, Marana, and Phoenix, primarily house inmates who have committed Driving Under the Influence (DUI) or drug-related offenses. In addition to a Department administrator who is responsible for all privatization projects, 15 Department employees administer the subprogram. These employees monitor contract compliance and carry out functions such as classification and discipline of inmates housed in the private prisons. Most of these employees work on site at the private prisons.

The Department Exercises Strong Oversight of Prison Contractors (See pages 9 through 12)

Through strong contract requirements and extensive oversight activities, the Department has ensured that contracted facilities operate almost exactly like state-operated facilities, and at a lower cost. The Department requires its contractors to follow the

same policies and procedures as its state-operated prisons, extending to specific details such as following the same daily menus as state-operated facilities. Full-time contract monitors at each private prison assess compliance with Department requirements, and additional on-site Department staff perform inmate classification and handle inmate grievances and discipline. Department reviews show that its contractors met or exceeded Department operational standards at a cost averaging about 12 percent less than state-operated beds for similar inmates. This difference resulted in a savings of \$5.5 million in fiscal years 1998 and 1999, including the costs of program administration and contract monitoring. These savings are derived mainly from providing lower salaries and benefits compared to those of state employees.


The Department's review and oversight activities are more extensive than those in most other states. However, the approach appears to be effective, based on the private prisons' compliance with Department standards and the lower cost of housing inmates in private prisons compared to the cost of state-operated facilities.

**The Department Should Begin
Gathering Information To Make
Future Privatization Decisions
(See pages 13 through 17)**

The Department should plan ahead so it can use private prisons most effectively when it needs more beds to accommodate inmate population growth or replace unsatisfactory facilities. In addition to the substance abuse and DUI inmates already sent to private prisons, the Department may wish to consider privatizing incarceration of other inmate groups, such as women, geriatric inmates, sex offenders, or mentally ill inmates. Other states have privatized or are considering privatizing some of these populations. However, in order to compare the costs of incarcerating in state-operated versus private facilities for such inmates, the Department needs to begin tracking such costs as health care,

special programs, or facility modifications required for these inmate groups. Because the Department has moved many of these types of inmates into separate units within Department-operated complexes, it may be easier to track these costs.

**Other Pertinent Information
(See pages 19 through 23)**



The prisons that have contracts with the Department are not the only private prisons operating in Arizona. Three additional prisons operate in Arizona and house inmates from other jurisdictions, such as three federal agencies, two other states and the District of Columbia, and a tribal government. More such prisons may open in the near future. Currently, state regulation of prisons without Department contracts is minimal. However, the Department would like the State to have more stringent regulation of these prisons.

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14 Runzheimer International Living Cost Standards

December 2000

	Total Standard Costs	Percent of Standard City	Taxation	Percent of Standard City	Transportation	Percent of Standard City	Housing	Percent of Standard City	Misc. Goods & Services, Other	Percent of Standard City
State of Alaska composite	\$35,331	110.4	\$2,756	77.9	\$4,807	105.2	\$17,469	124.6	\$10,028	104.4
Anchorage, AK	33,518	104.7	2,892	81.8	4,918	107.6	15,656	111.7	9,781	101.9
Fairbanks, AK	34,398	107.5	2,927	82.8	4,825	105.6	16,325	116.4	10,050	104.7
Juneau, AK	38,076	119.0	2,448	69.2	4,678	102.4	20,426	145.7	10,253	106.8
West										
Eugene, OR	33,368	104.3	3,700	104.7	4,351	95.2	15,697	111.9	9,346	97.3
Las Vegas, NV	32,518	101.6	3,144	88.9	5,416	118.5	13,708	97.8	9,979	103.9
Los Angeles, CA S4 ✓	33,756	105.5	2,997	84.8	5,300	116.0	14,907	106.3	10,281	107.1
Portland, OR ✓	35,014	109.4	3,480	98.4	4,544	99.4	16,819	119.9	9,900	103.1
Sacramento, CA ✓	34,017	106.3	2,895	81.9	5,002	109.5	15,713	112.1	10,136	105.6
Salt Lake, UT ✓	35,262	110.2	3,111	88.0	4,631	101.3	17,457	124.5	9,792	102.0
San Diego, CA ✓	39,618	123.8	2,448	69.2	4,965	108.6	21,621	154.2	10,313	107.4
Seattle, WA S1 ✓	39,433	123.2	2,448	69.2	5,023	109.9	21,076	150.3	10,615	110.6
Spokane, WA ✓	34,062	106.4	2,899	82.0	4,807	105.2	15,514	110.6	10,571	110.1
Southwest/Mountain										
Boise, ID	32,142	100.4	3,281	92.8	4,351	95.2	14,949	106.6	9,290	96.8
Dallas, TX	30,117	94.1	3,344	94.6	4,702	102.9	12,365	86.2	9,435	98.3
Denver, CO	38,270	119.6	2,734	77.3	5,065	110.3	20,515	146.3	9,685	100.9
Phoenix, AZ	31,749	99.2	3,612	102.1	5,066	110.9	13,188	94.1	9,612	100.1
Midwest										
Columbia, MO	29,004	90.6	3,935	111.3	4,252	93.0	11,516	82.1	9,030	94.1
Dayton, OH	30,971	96.8	4,533	128.2	4,176	91.4	12,454	88.8	9,537	99.3
Oklahoma City, OK	29,221	91.3	4,272	120.8	4,494	98.3	10,397	74.1	9,787	101.9
Southeast										
Augusta, GA	27,303	85.3	4,248	120.1	4,585	100.3	8,638	61.6	9,561	99.6
Orlando, FL	29,523	92.3	3,361	95.1	4,445	97.3	11,674	83.3	9,772	101.8
Raleigh, NC	31,029	97.0	3,037	108.5	4,281	93.7	13,250	94.5	9,390	97.8
Atlantic/New England										
Baltimore, MD	33,828	105.7	3,649	103.2	4,663	102.0	15,585	111.1	9,660	100.6
Washington, DC	37,231	116.3	3,033	85.8	4,724	103.4	19,176	136.8	10,027	104.4

Source: Runzheimer's Living Cost Index, December 2000

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5 pages
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**The Corrections Yearbook™
2000
ADULT CORRECTIONS**

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**AVERAGE COST PER INMATE PER DAY IN 1999 AND AGENCY CHARGE
FOR HEALTH CARE OF INMATES AS OF JANUARY 1, 2000**

	Total	Food	Health	Charge for Health Care	Maximum Charge	Minimum Charge
Alabama	\$23.40	\$1.03	\$1.12	○		
Alaska ¹	\$110.73	\$4.91	\$16.36	✖		\$4.00
Arizona ²	\$52.81	\$3.82	\$7.32	✖	\$3.00	\$3.00
Arkansas ³	\$37.65	\$3.75	\$5.26	○		
California	\$62.38	\$3.83	\$9.91	✖	\$5.00	
Colorado ⁴	\$71.93	\$3.00	\$8.81	✖	\$3.00	\$0.50
Connecticut ⁵	\$66.91	\$3.69	\$8.57	✖	\$3.00	
Delaware	\$62.03	\$3.78	\$5.52	✖	\$4.00	\$4.00
Dist. of Col.	\$78.00	\$5.00	\$13.00	○		
Florida	\$50.97	\$1.84	\$9.40	✖	\$4.00	\$4.00
Georgia	\$47.68	\$1.57	\$7.58	✖		\$5.00
Hawaii	\$91.00	\$13.00	\$10.00	✖	\$3.00	\$3.00
Idaho	\$51.51	\$5.57	\$6.40	✖	\$3.00	
Illinois	\$50.68	\$3.31	\$3.52	✖	\$2.00	\$2.00
Indiana	\$56.12	\$3.00	\$3.66	✖	\$5.00	\$0.00
Iowa ⁶	\$58.00	\$4.88		✖	\$3.00	\$3.00
Kansas ⁷	\$51.94	\$3.75	\$6.97	✖	\$2.00	
Kentucky	\$42.25			✖	\$2.00	
Louisiana ⁸	\$30.28	\$2.12	\$4.69	✖	\$3.00	\$2.00
Maine	\$76.46	\$3.03	\$5.90	○		
Maryland	\$46.00			✖	\$3.00	\$2.00
Massachusetts	\$90.34	\$2.16	\$9.76	✖	\$5.00	
Michigan ⁹	\$58.31	\$2.56	\$14.15	✖		\$3.00
Minnesota	\$86.16	\$3.02	\$9.53	✖	\$3.00	\$3.00
Mississippi ¹⁰	\$37.50	\$2.18	\$5.07	✖		\$3.00
Missouri	\$35.61	\$2.11	\$4.74	○		
Montana	\$58.00	\$5.74	\$8.26	○		
Nebraska	\$61.10	\$3.82	\$6.09	○		
Nevada	\$55.87	\$2.35	\$8.16	✖	\$4.00	\$4.00
New Hampshire	\$53.12	\$3.33	\$6.74	✖	\$5.00	\$0.00
New Jersey ¹¹	\$69.37	\$3.27	\$8.05	✖	\$5.00	\$1.00
New Mexico ¹²	\$75.98	\$4.75	\$11.91	○		
New York	\$64.34	\$2.93	\$6.72	○		
North Carolina ¹³	\$63.43					
North Dakota ¹⁴	\$50.60	\$3.51	\$3.83	✖		
Ohio	\$53.36	\$4.32	\$6.11	✖	\$3.00	\$3.00
Oklahoma	\$42.36		\$1.58	✖	\$2.00	\$2.00
1998 - Oregon	61.30			✖		
Pennsylvania	\$67.45	\$5.02	\$9.59	✖	\$2.00	\$2.00
Rhode Island ¹⁵	\$100.61			○		
South Carolina	\$38.13	\$2.43	\$6.54	○		
South Dakota	\$31.96	\$5.18	\$5.12	✖	\$2.00	\$2.00
Tennessee	\$45.69	\$3.37	\$5.84	✖	\$5.00	\$3.00
Texas ¹²	\$38.71	\$1.96	\$6.31	✖	\$3.00	\$3.00
Utah	\$58.55	\$2.65	\$9.28	✖	\$4.00	\$0.00
Vermont ¹⁶	\$64.00	\$4.00	\$8.00	○		
Virginia ¹⁷	\$51.05	\$3.07	\$4.56	✖		
Washington	\$63.16	\$5.42	\$9.31	✖	\$3.00	\$3.00

PRISON BUDGETS

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Cost Per Inmate Per Day and Agency Charges for Inmate Health Care, continued.

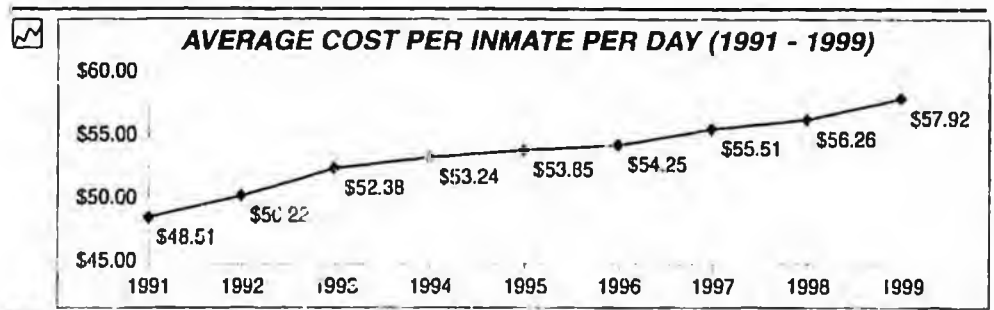
	Total	Food	Health	Charge for Health Care	Maximum Charge	Minimum Charge
West Virginia ¹⁸	\$49.50	\$3.20	\$6.53	*		
Wisconsin	\$56.42	\$3.95	\$5.73	*	\$2.50	
Wyoming ¹⁹	\$54.88	\$7.66	\$7.28	○		
Federal ²⁰	\$59.41	\$4.97	\$8.88	○		
Total/Average	\$57.92	\$3.78	\$7.34	32	\$3.33	\$2.48

* = "yes," ○ = "no" ¹⁸Maximum charge is open. ¹⁹Food and health costs do not include costs for privately operated facilities. ²⁰Figures are for the Department of Corrections; Department of Community Punishment (DCP) total is \$40.00, food is \$2.45 and health is \$4.58. ¹Total is calculated by fiscal year. ²Total is average daily inmate expenditure (agency general funds). ³Food is based on a range of \$2.44 to \$7.32 per day per meal. ⁴Total does not include the allocation of costs for central office administration, correctional industries and debt service. ⁵Total includes adult institution, Office of Adult Services and Sheriff's payments; food and health exclude two privately managed adult institutions. ⁶Maximum charge is based on the inmate's ability to pay. ⁷Minimum charge is for inmate initiated visits. ⁸\$5.00 for inmate initiated sick call and \$1.00 for prescription medication. ⁹Health includes medical, mental health and administrative mental health costs. ¹⁰Latest available cost per inmate per day figure is for FY 99. ¹¹Minimum charge is 15%. ¹²Total is for FY 99. ¹³Figures are as of 1/1/99. ¹⁴Food represents average cost per meal consumed for confined inmates, excluding two facilities which have unique food requirements which would distort average costs; health does not include personal services expenditures. Charges for health care include \$2.00 per prescription; \$5.00 per medical evaluation; half cost of prosthetic; and \$2.00 per dental procedure. There are a number of exclusions. ¹⁵Fees for health care vary. ¹⁶Total includes the cost of food, food supplies and inmate salaries. ¹⁷Food and health include staff salaries and operations costs.

PRISON BUDGETS

Snapshot: Cost Per Inmate Per Day and Agency Charges for Inmate Health Care

- Total Cost per Inmate per Day:** Agency-calculated average daily cost per inmate for inmates actually confined in institutions. Excludes the cost of inmates in halfway houses or under community supervision.
- Food/Medical:** Agency-calculated average daily cost per confined inmate for food and for medical costs.
- Charge for Health Care:** Agencies that charge inmates for any type of routine health care services.
- The average daily cost per confined inmate during 1999 was \$57.92 in 51 prison systems.
- The average daily cost per inmate for food was \$3.78 in 46 agencies and for medical was \$7.34 in 46 agencies.
- Thirty-two agencies charged inmates for health care as of January 1, 2000.
- The highest food cost was in Hawaii (\$13.00) and the lowest was in Alabama (\$1.03). The highest medical cost was in Alaska (\$16.36) and the lowest was in Alabama (\$1.12).
- Alaska had the highest total cost (\$110.73), and Alabama had the lowest (\$23.40).
- Cross agency comparisons of cost per inmate per day is difficult due to the different ways agencies calculate these costs.



Notes Details Trends Careers Summary Definitions

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CORRECTIONAL OFFICER SALARIES AS OF JANUARY 1, 2000

	Entry Level	Completion of Training	Completion of Probation	Max. Salary
Connecticut	\$27,529	\$30,587	\$30,587	\$39,812
Maine	\$18,990	\$18,990	\$18,990	\$23,524
Massachusetts	\$34,061	\$34,061	\$34,061	\$46,840
New Hampshire	\$22,766	\$24,471	\$25,449	\$28,465
New Jersey	\$34,070	\$34,070	\$37,479	\$52,127
New York	\$25,029	\$26,436	\$30,511	\$43,320
Pennsylvania	\$22,971	\$22,971	\$24,327	\$49,907
Rhode Island	\$25,808	\$25,808	\$26,704	\$36,606
Vermont	\$21,133	\$21,133	\$23,333	\$41,496
Northeast Average	\$25,817	\$26,503	\$27,938	\$40,233
Illinois	\$27,192	\$27,192	\$29,640	\$36,360
Indiana	\$20,956	\$20,956	\$20,956	\$32,890
Iowa	\$27,976	\$27,976	\$29,140	\$36,981
Kansas	\$20,384	\$20,904	\$21,382	\$31,595
Michigan	\$26,079	\$26,810	\$30,255	\$41,154
Minnesota	\$25,766	\$25,766	\$26,559	\$38,419
Missouri	\$20,700	\$20,700	\$21,456	\$29,184
Nebraska	\$22,825	\$22,825	\$22,825	\$30,753
North Dakota	\$18,000	\$18,000	\$21,528	\$32,960
Ohio	\$26,749	\$26,749	\$27,414	\$32,510
South Dakota	\$17,680	\$17,680	\$18,564	\$26,250
Wisconsin	\$19,038	\$19,038	\$19,610	\$47,412
Midwest Average	\$22,779	\$22,883	\$24,111	\$34,704
Alabama	\$22,318		\$22,872	\$33,920
Arkansas ¹	\$19,388	\$20,454	\$19,388	\$21,521
Delaware	\$22,685	\$22,685	\$22,685	\$34,027
Dist. of Col.	\$27,856	\$27,856	\$27,856	\$51,049
Florida	\$24,561	\$25,924	\$25,924	\$37,183
Georgia	\$22,044			\$37,524
Kentucky	\$18,264	\$18,264	\$19,177	
Louisiana	\$15,324	\$15,324	\$17,076	\$27,084
Maryland	\$24,924	\$24,924	\$24,924	\$39,554
Mississippi	\$17,073	\$19,000	\$19,950	\$23,095
Oklahoma	\$16,672	\$16,672	\$17,805	\$43,607
South Carolina	\$19,267	\$19,267	\$20,041	\$31,690
Tennessee	\$18,576	\$18,576	\$18,576	\$29,736
Texas	\$18,924	\$21,744		\$26,724
Virginia	\$22,643	\$22,643	\$24,753	\$36,962
West Virginia	\$18,610	\$18,610	\$19,210	\$37,500
South Average	\$20,571	\$20,853	\$21,445	\$34,078
Alaska	\$32,688	\$37,020	\$37,020	\$57,998
Arizona	\$23,504	\$23,504	\$24,689	\$35,568
Colorado	\$29,532	\$29,532	\$31,008	\$39,324
Hawaii	\$26,220	\$26,220	\$26,220	\$34,800
Idaho	\$22,818	\$22,818	\$23,388	\$33,550
Montana	\$16,964	\$16,964	\$16,964	\$24,172
Nevada	\$25,797	\$25,797	\$29,163	\$37,566
New Mexico	\$15,620	\$17,707	\$18,326	\$50,145
Oregon	\$27,960	\$27,960	\$29,340	\$39,556

PRISON STAFF

Notes
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

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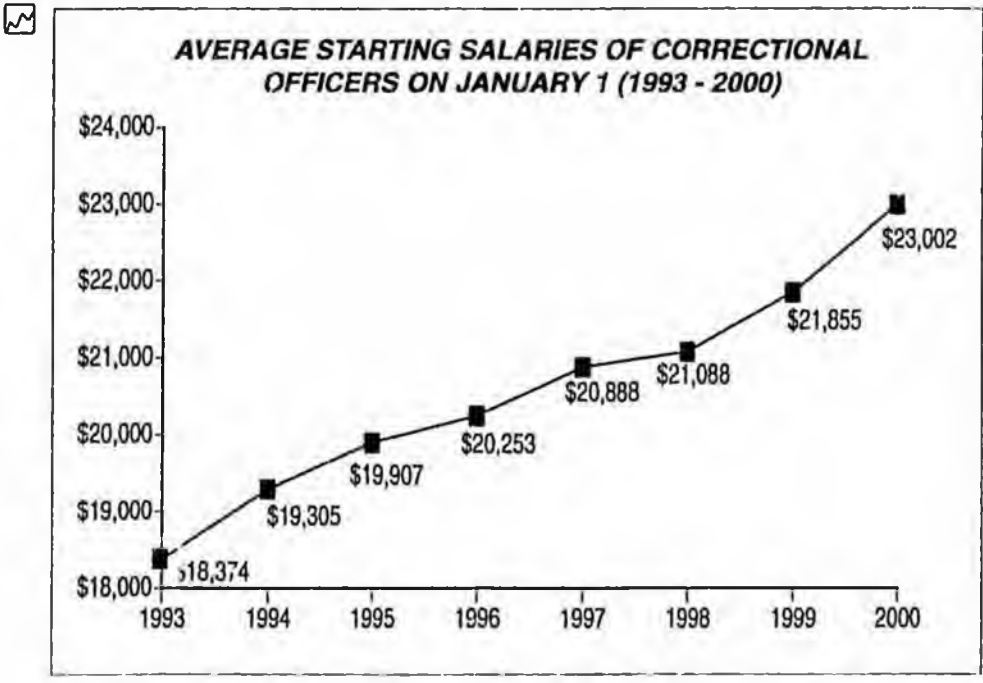
Correctional Officer Salaries As of January 1, 2000, continued.

	Entry Level	Completion of Training	Completion of Probation	Max. Salary
Utah	\$22,993	\$23,622	\$25,634	\$37,456
Washington	\$25,872	\$25,872	\$27,108	\$34,368
Wyoming	\$18,420	\$18,420	\$19,620	\$25,992
West Average	\$24,032	\$24,620	\$25,707	\$37,458
Federal	\$26,880	\$26,880	\$28,345	\$40,858
Overall Average	\$23,002	\$23,487	\$24,538	\$36,328

¹Figures for the DCP and DOC are the same for entry level and completion of probation. Maximum salary for DCP is \$24,931.

Snapshot: Correctional Officer Salaries As of January 1, 2000.

-  Among 52 adult correctional agencies, correctional officer starting salaries ranged from \$34,070 in New Jersey to \$15,324 in Louisiana. The national average starting salary for a correctional officer was \$23,002 per year.
-  At the completion of training, correctional officer salaries averaged \$23,487 and at the completion of probation they averaged \$24,538.
-  The average maximum salary a correctional officer could earn on January 1, 2000 was \$36,328. Maximum salaries ranged from \$57,998 in Alaska to \$21,521 in Arkansas.



PRISON STAFF

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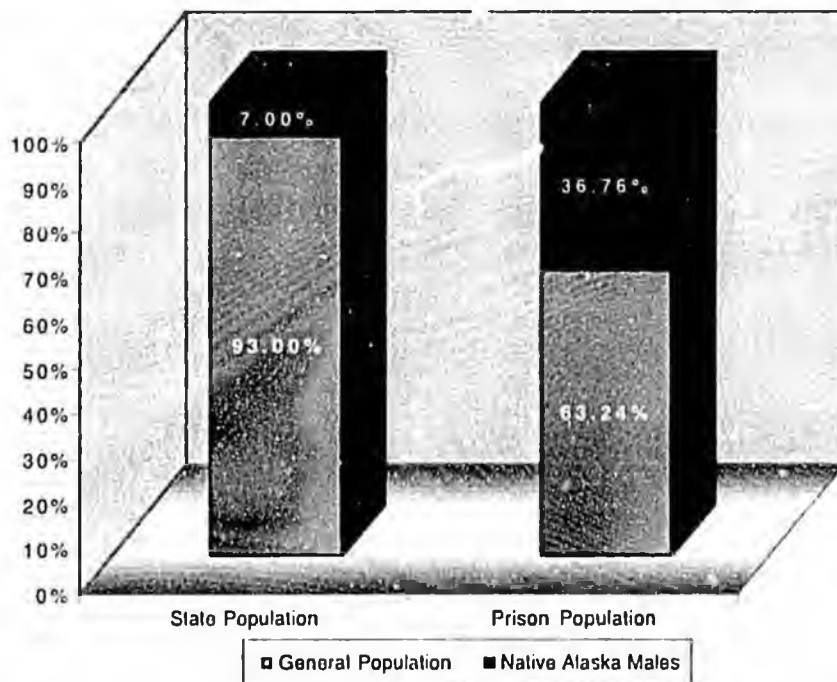
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The City of Whittier Prison Proposal

LEGISLATIVE HISTORY

In 1995 all of Alaska's prisons and jails were at, or over emergency capacity. The State was found in contempt of court and the Department of Corrections was ordered to reduce inmate populations to court approved levels. As a stopgap measure, the Department entered into a contract to house Alaska prisoners in a privately owned and operated prison in Arizona. Today, 800 Alaska prisoners are housed in Arizona,

jails. The Alaska Legislature confronted these issues in 1998 and 1999 by authorizing the construction of a City-owned and privately operated prison, on Fort Greely, near Delta Junction (HB53, SB 141). The enabling legislation was intended to bolster the economy of that region by returning the prisoners housed in Arizona after Ft. Greely closed.



The Delta prison plan enabled the Department of Corrections to petition the Superior Court for relief from monitoring and millions of dollars in fines imposed by the *Clery Final Settlement Agreement*. The court approved the Department's plan to return the prisoners held in Arizona to Alaska by 2003 and released the Department from Court oversight after seventeen continuous years of monitoring, fines and litigation.

Fort Greely officially closed in July 2001, but complications associated with the transition of the base facilities, as well as

resulting in an annual loss to the Alaska economy of \$18 million in operating funds and more than 200 jobs.

The social cost to Alaska is even more significant. Nearly forty percent of the prisoners housed in Arizona are Alaska Natives. Many of these offenders are from remote regions of Alaska, far removed from the cultural support systems necessary for rehabilitation.

The problem of out-of-state incarceration is compounded by the extraordinarily high cost of building and staffing State operated prisons and

uncertainties associated with the National Missile Defense System derailed the prison.

In the Fall of 2000, the delays in Delta Junction caught the attention of the Kenai Peninsula Borough. The Borough Assembly passed an ordinance authorizing its Mayor to approach the legislature to move the Delta Junction Prison project to Kenai. Senate Bill 149 passed and was signed into law in May 2001. The question of whether to go forward with construction of the prison was put to Kenai Peninsula voters in October 2001 and failed.

CURRENT PRISON STATUS

At the end of 2001, the Department of Corrections was operating at or near emergency capacity throughout the State. Voter rejection of the Kenai Prison leaves serious matters of social and economic policy unresolved and exposes the State of Alaska to possible:

- * Renewed court monitoring of the Department of Corrections.
- * Renewed court sanctions for prison overcrowding.
- * Class action or individual lawsuits for impairing the rehabilitation rights of Alaska prisoners housed in Arizona.
- * Class action or individual lawsuits for disparate treatment of Alaska Native prisoners housed in Arizona.
- * Extraordinary cost of expanding existing state owned prisons and jails.

THE PLAN

The City of Whittier seeks legislative authority to develop up to a 1200 bed, city-owned and privately operated prison on Alaska Railroad land already under long-term lease to the City of Whittier.

reimbursement budget created by the intergovernmental agreement between the State and the City. Allocating that risk to one developer imposes proper market incentives to make cost effective decisions in design and

The City of Whittier has completed a competitive procurement identical to the procedures approved

When one private company is responsible for designing, building and operating a prison, financial risk to the State is minimized.

construction that will lower operating expense (e.g. maintenance, staffing efficiency, materials).

last year by the Legislature for the Kenai Prison. The process competitively selected a single contractor from a field of proposers to promote, design, build and operate the prison for the first five years.

The City will finance construction through the sale of tax exempt bonds. The bonds will be secured by an intergovernmental agreement to lease up to twelve hundred prison beds for a period of twenty to twenty-five years. The operating contract will be put out to competitive procurement again after the first five-year term.

Having one contractor design, construct and operate the prison minimizes the financial risk to the State. Design/build contracts avoid the risk of contractor claims arising from cost overruns by transferring the responsibility for design and construction to one private entity.

The prison will be located on Alaska Railroad Land at the head of Passage Canal. Cornell Corrections of Alaska will operate the prison during the first five-year term with culturally relevant programs delivered by the Alaska Native Brotherhood in cooperation with Native corporate and tribal stakeholders.

Having the same contractor responsible for operation ensures that the private party bears the risk of operating the prison under the

THE SITE

The City has identified a site that is owned by the Alaska Railroad Corporation and is currently being leased by the City. The site is served by a reliable utility grid, including Chugach Electric and Enstar Natural Gas.

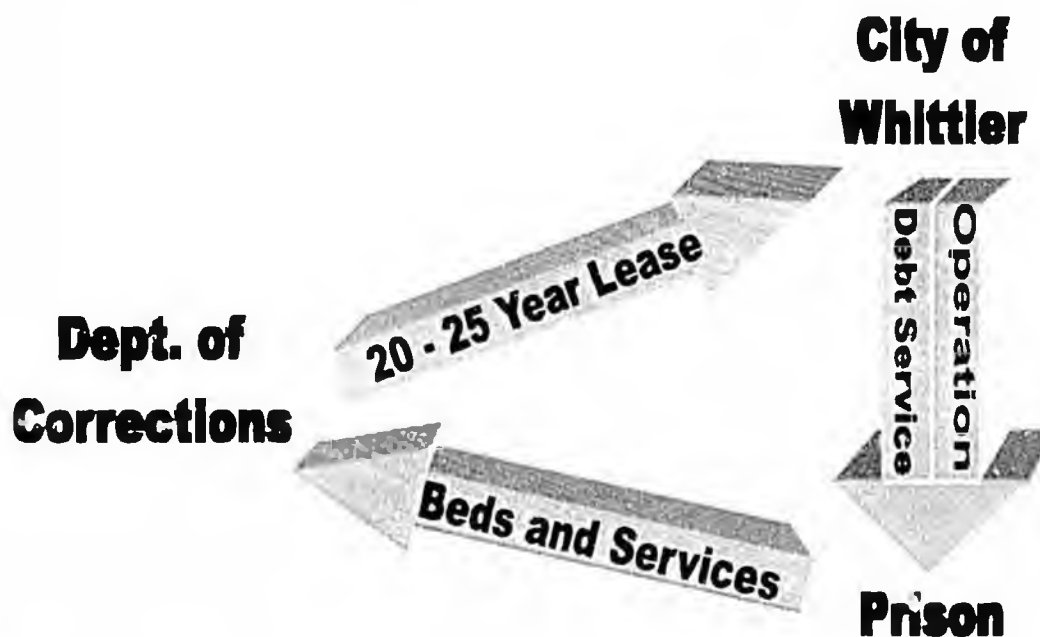
To maintain security, the prison will have emergency stand-by utility capability. In addition, on-site water and waste systems will be provided.



THE MISSION

The proposed Whittier prison will be built and operated to the highest standards of the correctional industry, as well as the existing standards of the Alaska Department of Corrections. But the intent and mission of this

facility is to exceed the general program requirements of the DOC by offering the Alaska Native community the opportunity to take responsibility for programs designed to reduce recidivism among Alaska Native peoples.



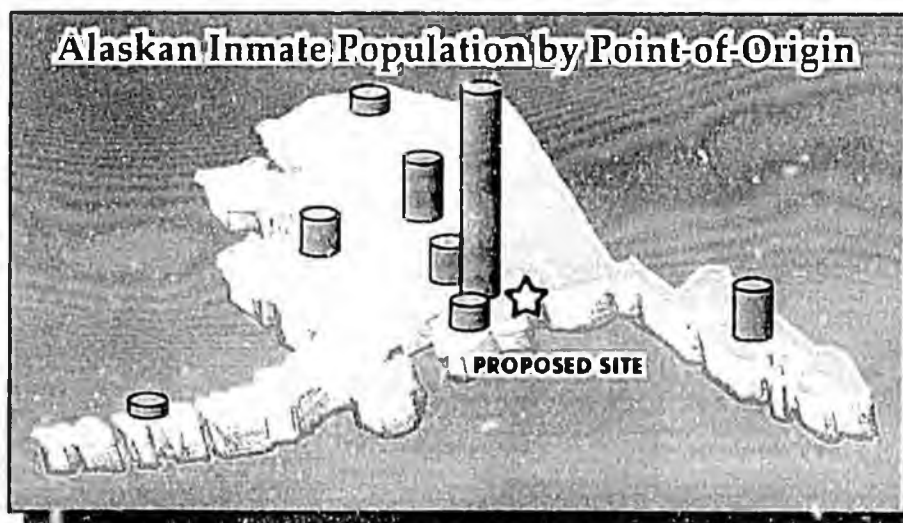
ECONOMIC AND SOCIAL BENEFITS

STATE

- * Adds value to the \$90 million tunnel to Whittier.
- * Cost to the State is at least 30% less than a new state built and operated prison at the same site.
- * Diminishes State legal liability for housing Alaska Natives in Arizona and overcrowding in existing State prisons and jails.
- * Proximity to Anchorage will lower DOC transportation, medical and monitoring costs.
- * Proximity to Anchorage ensures reasonable private sector operating costs.
- * Proximity to Anchorage and local deep water port ensures low construction costs.
- * Economic and social benefit of reduced Native recidivism.
- * Enhanced opportunity for rehabilitation of all Alaska prisoners returned from Arizona.

WHITTIER/ANCHORAGE

- * Purchase of materials, goods and services associated with Construction of a 1200 bed prison.
- * 325 Davis Bacon construction jobs for 1.25 years.
- * 228 indirect construction related jobs for 1.25 years.
- * 225-275 direct, permanent prison jobs for Whittier and Anchorage residents.
- * Minimum of 200 permanent indirect jobs.
- * \$18 million annually returned to the local economy from Arizona.
- * "Anchor tenant" will stimulate growth and stabilize the Whittier Economy.



THE OPERATOR

Cornell Companies of Alaska will operate the proposed prison for the initial first five-year term of the contract with the State. Cornell is the largest private company currently providing correctional services in Alaska. Cornell is one of the top three private corrections companies in the United States and the only company offering

juvenile and adult secure, pre-release and treatment programs.

Cornell operates 72 facilities in 13 states and the District of Columbia with a total service capacity of almost 15,000 prison, jail, pre-release and treatment beds.

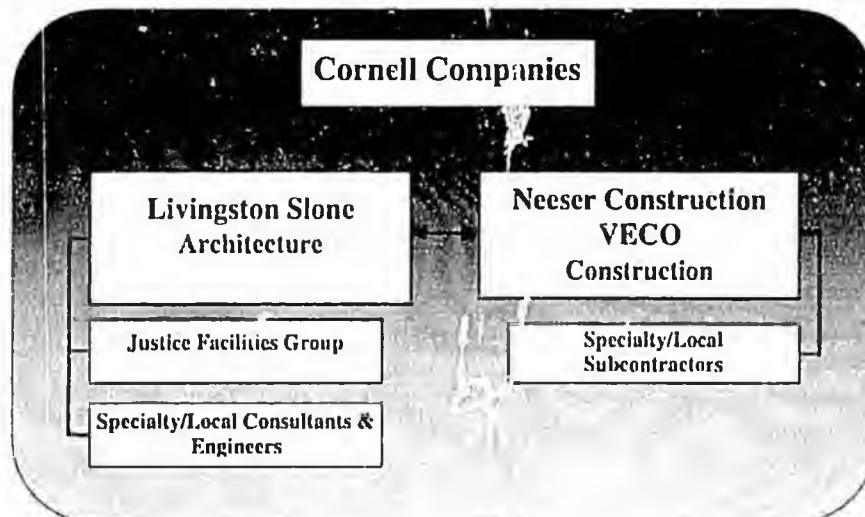


THE DESIGN AND CONSTRUCTION TEAM

The principal design and construction contractors will be three Alaska corporations: VECO Alaska, Inc., Neeser Construction, Inc. and Livingston Slone, Inc.

Each company has participated in the design, construction and project management of many of Alaska's largest public projects including the new Anchorage

Jail, The Elmendorf Military Mall and the Alaska SeaLife Center. Neeser Construction is signatory with the local Carpenters' and Laborers' Unions.



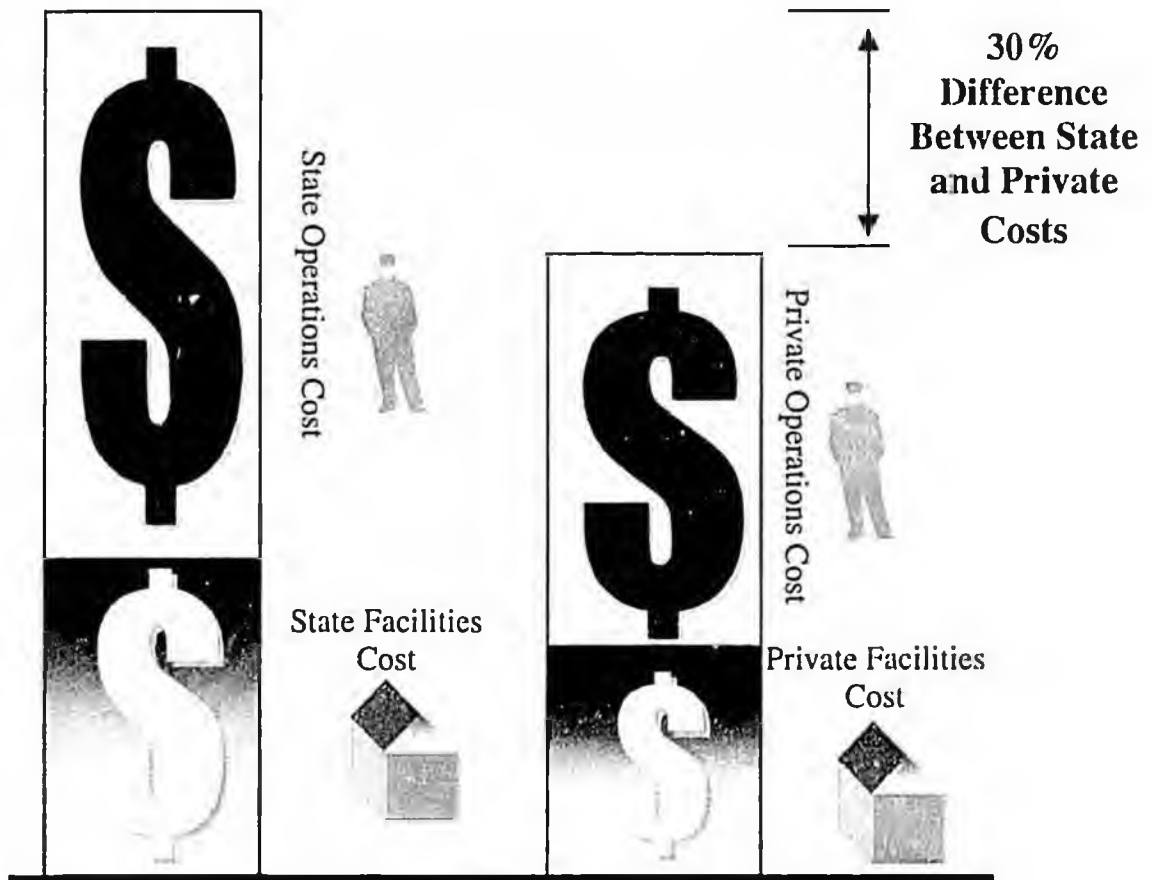
The prime contractors will subcontract services from local companies as well as correctional facility design specialists Justice Facilities Group of Olympia, Washington.

THE COST

The costs outlined for the Whittier facility includes facilities debt service, a cost which is never factored into the average daily operating cost of Alaska's State prisons and jails.

Even with facilities debt service, a publicly financed, privately built and operated prison will save the State over 30 percent of the cost of a similar facility built and operated by the State.

Facility Debt Service is included in the cost of a private prison facility. Debt Service is never factored into the average daily operating cost of Alaska State prisons and jails.



NOTES

Alaska's Prison Dilemma

Jails are historically used to confine local offenders until trial and sentenced misdemeanants for up to twelve months. Long-term prisoners are sent to larger, centralized, State or Federal prisons.

Only in Alaska is there talk of housing long-term prisoners in small, decentralized facilities. In the Federal system and other states, prisoners conform to the system, not vice versa.

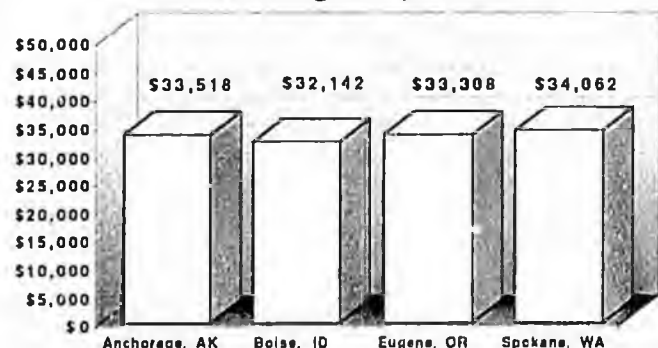
The Driving Force Behind High Alaska Prison Costs are Inflated Personnel Costs

Alaska's regional correctional facilities lack the economy of scale and design efficiency to ever become cost effective. But they are a necessary component of regional public safety and should be limited to necessary and customary local jail services. Prisons should be located in the most cost effective and resource enriched areas of the state to capture economy of scale, operational efficiency and program effectiveness.

While economy of scale is a problem, the driving force behind the cost of corrections in Alaska is grossly inflated personnel costs.

The Alaska Department of Labor recently commissioned a living cost comparison between rail-belt Alaska and lower 48 communities. On the Runzheimer scale, when total costs (including taxation, but excluding the PFD)

Cost of Living Comparisons



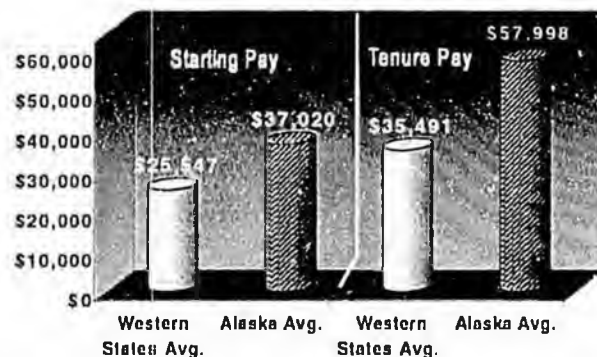
Alaska's Prison Dilemma

... Continued

are compared, the cost of living in the Anchorage area is comparable to Eugene, Spokane, Boise; Fairbanks costs less to live than Seattle and Portland. It should, therefore be fair to assume that Alaska's rail-belt correctional officer wages bear some rational relationship to Washington, Oregon and Idaho, but they are not even close.

The Corrections Yearbook, published by the Criminal Justice Institute, Inc., is the national repository for corrections statistics and lists correctional officer salaries by state. With a high school diploma, after training, correctional officers in Oregon, Washington and Idaho are paid an average starting salary of \$25,547; Alaska pays \$37,020. The maximum salary in these states is \$35,491, in Alaska it's \$58,000. By comparison, the starting wage and benefits for an Alaska private sector

Salary Comparisons



correctional officer is \$35,840. Not starting government wage and benefits, but certainly not substandard.

Correctional officer wages in the Anchorage area, where most correctional services are delivered, are fifty-five percent higher than the Northwest and national average. In addition, Alaska pays a COLA for more expensive areas of the State, as well as twenty-year retirement not available in Washington, Idaho and Oregon. Incredibly, the longevity wage and benefit package for a correctional officer in Bethel is over \$93,000 per year.

A Collaborative Effort

With no municipal, county or private sector comparison or competition, the centralized authority of the Department of Corrections has, by default, resulted in an intra-governmental monopoly that has controlled industry standards and inflated costs beyond reason. Perhaps that explains the aggressive opposition to a local government owned, but privately managed prison in Alaska.

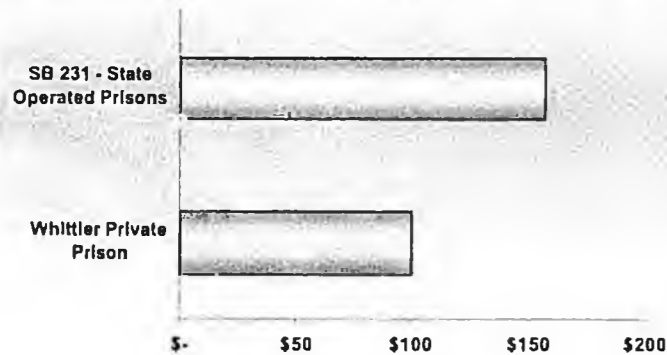
Where correctional officer salaries and fringe benefits have been excessive, privatization has led to cost savings and forced the public sector to reexamine how it conducts business

In a monograph entitled "Emerging Issues on Privatization," the U.S. Department of Justice recently found that "where correctional officer salaries and fringe benefits have been excessive, privatization has led to cost savings and forced the public sector re-examine how it conducts business." The federal report concurs with a recent finding by the Auditor General for the State of Arizona that private prisons met or exceeded Department operational standards at a cost averaging about 12 percent less than state-operated beds for similar inmates." (Report No. 01-13 July 2001)

Years ago, the Department of Defense, the Federal Bureau of Prisons and a rapid growing number of states recognized that public service and safety is no longer the sole province of government, particularly in corrections. To sustain a dynamic, quality driven, Twenty First Century correctional system, Alaska's public and private sector must work together to offer Alaskans safe and effective service at a fair price. In Arizona, the collaborative effort has reduced the cost of correctional services by twelve percent.

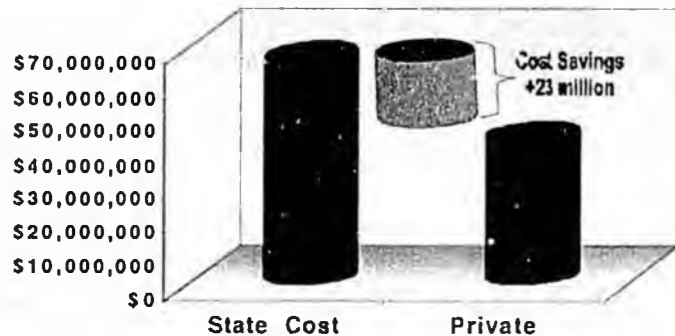
SB 231 Compared with a Private Prison

Cost Comparison per Day for Two Plans



This session, Senate Bill 231 proposes to expand seven state prisons and jails by 1,136 beds, at a cost of up to \$176 million. That amounts to a daily lease rate, per bed, of \$45.75. Supervising the prisoners will cost an additional \$111, for total cost of \$157, per prisoner, per day. The same services can be provided by the private sector for under \$100 a day, per prisoner, including facility debt service, saving the State at least \$23 million per year.

Total Annual Cost Savings
SB 231 vs. Whittier



A Commitment to the State of Alaska

Last year the Kenai Natives Association and Alaska Native Brotherhood partnered with the Kenai Peninsula Borough and Cornell Companies to develop a correctional facility that would not only save the state millions, but also tackle the serious problem of Alaska Native recidivism and over representation in the prison system. The state employees unions combined resources and successfully campaigned to kill the prison through fear and misinformation.

The problems with the State Correctional system have not changed, nor has the Alaska Native commitment to address the serious issues facing corrections and Alaska Native incarceration rates. This year the City of Whittier has picked up the banner dropped by the Kenai Peninsula. While our motivations differ, our goal is the same: to provide a cost and program effective alternative to sending Alaska prisoners to Arizona.

Our Goal: To Find an Effective Alternative to Sending Alaska Prisoners to Arizona



Alaska Native Brotherhood
320 W. Willoughby Ave. Suite 100, Juneau, Alaska 99801

Understanding Alaska's Prison Dilemma

The problem with Alaska's correctional system is cost. It simply costs too much to house a prisoner in a state-run facility in Alaska.

Housing a Prisoner in Alaska Currently Costs Almost Twice the National Average

Without facility debt service, the average cost of care, per day, per inmate, in Alaska is \$111, compared to a national average of \$58 and Western states' average of \$59. With roughly 3000 inmates, Alaska pays \$57 million dollars more each year to confine prisoners than it would cost to house the same prisoners in most other states.



Alaska's correctional system is small and one of the few unified correctional systems still operating in the United States. In most states, misdemeanor and felony services are divided between municipal, county, state and federal authorities. In Alaska, authority is centralized in one Department of Corrections, which manages all pre-trial, pre-sentence, sentenced, pre release, probation and paroled offenders, except those in federal custody.

Over the years, Alaska's local governments have found it necessary, or expedient, to waive jurisdiction and control over local offenders. In response, the State has filled the void by operating small, multipurpose, regional correctional facilities, which, in other states, would be county or city jails.



ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE
STATE CAPITOL, JUNEAU, ALASKA

Sponsor Statement

HB 498 – “An Act expressing legislative intent regarding privately operated correctional facility space and services; relating to the development and financing of privately operated correctional facility space and services; authorizing the Department of Corrections to enter into an agreement for the confinement and care of prisoners in privately operated correctional facility space; and providing for an effective date.”

House Bill 498 authorizes the construction of a local government-financed, local government-owned, and privately managed 1200 bed, medium security prison in the City of Whittier.

Ten out of the state’s 15 regional correctional facilities are currently operating over emergency capacity, the remainder approach emergency levels of prisoner overcrowding, and 750 Alaskan prisoners are housed in Arizona.

Prison overcrowding exposes inmates and staff to the risk of serious injury and death, and exposes the State to civil liability, as well as judicial intervention into the management prerogatives of the executive branch. With a total, all-time high prisoner population of 4,828, the current situation is grave and exceeds projections of the Dept. of Corrections.

This bill will create more than 500 direct and indirect, union scale construction jobs, and more than 500 permanent, direct and indirect, jobs for Alaskans associated with prison operations for the 25-year lease term authorized by the legislation. In addition, it will stimulate the Alaskan economy with the purchase of goods and services associated with an \$80-100 million construction project.

From a local perspective, a project of this magnitude will add value to the \$80 million Anton Anderson tunnel, reduce tolls and justify expanded hours of operation. Of greater importance, the prison will serve as an anchor economic engine in a community with limited economic stimulus opportunity.

The State will benefit economically and socially by providing in-state prison beds at significantly less cost than State-operated beds; by returning Alaskan prisoners closer to the resources necessary for effective rehabilitation; by diminishing State liability for the

effects of prison overcrowding; and by providing programs designed to break the cycle of Alaska Native recidivism.

With an average voter turnout of 110 residents, 88 adult residents have petitioned the Whittier City Council to adopt an ordinance authorizing the City to develop the prison in their community. The enabling ordinance passed with a unanimous vote.



ALASKA STATE LEGISLATURE
HOUSE FINANCE COMMITTEE
STATE CAPITOL, JUNEAU, ALASKA

Sectional Summary

HB 498 – “An Act expressing legislative intent regarding privately operated correctional facility space and services; relating to the development and financing of privately operated correctional facility space and services; authorizing the Department of Corrections to enter into an agreement for the confinement and care of prisoners in privately operated correctional facility space; and providing for an effective date.”

Sec. 1 expresses the Legislature’s intent that the Department of Corrections (DOC) secure additional prison space and services through a contract with the City of Whittier, similar to that currently contracted for outside the state. It further anticipates a privately-operated prison to bring competitive management styles and operations to Alaska. Finally, it expresses the intent that the initial per diem costs (excluding costs now excluded in the contract in Arizona, but including capital costs) should be in the \$89-\$91 range.

Sec. 2 in subsection (a) authorizes DOC to enter into a 25-year contract with Whittier for correctional space and services. Subsection (b) provides that the contract in (a) is predicated upon the City of Whittier having an agreement with one or more third-party contractors for construction and operation of the facility. It further requires that the City of Whittier procure the third-party contractors through a competitive procurement process. And it provides that the procurement requirements are satisfied if the City of Whittier follows its proscribed and lawful procedures under the general powers grant of the state municipal code (AS 29.35.010(15) (providing facilities for the confinement and care of prisoners).

Subsection (c) stipulates that the agreement authorized in (a) must cover a minimum of 1200 beds and the payment from DOC must cover the capital costs, including debt service, and operating costs for a period of five years from initial operation of the facility.

Subsection (c) further provides that the payments under the agreement must be subject to annual appropriation by the legislature; that the agreement must contain a provision allowing for termination with the third-party contractor and procurement of a replacement contractor; and that the agreement is subject to a requirement that the contractor provide culturally relevant counseling to incarcerated Alaska Natives.

Subsection (d) provides that the City of Whittier may issue bonds under its municipal powers and that the bonds may be secured by the revenues from the facility.

Sec. 3 adds a section of uncodified law to provide that AS 33.30.031(a) does not apply to the above-described agreement. AS 33.30.031(a) is a grant of authority to the commissioner of corrections that allows placement of prisoners in non-state facilities if the commissioner determines there is insufficient suitable space in-state.

Sec. 4 repeals unneeded portions of last year's legislation authorizing a private prison in the Kenai Peninsula Borough.

Sec. 5 provides an effective date of July 1, 2002.



THE CITY OF WHITTIER

Gateway to the Western Prince William Sound

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March 22, 2002

Representative John Harris
Mailstop: 3100
State Capitol
Juneau, SK 99801-1182

FAX: 465-3799

Dear Representative Harris:

There are five prison bills before the Legislature this session that represent two different ways of managing correctional services in Alaska. Senate Bills 336, 231 and corresponding House Bills 497 and 388 implement the Administration's recently released master plan "Corrections & Community Partnerships: A New Way of Doing Business." There is nothing new about the plan, as these bills simply continue Alaska's cost prohibitive approach to managing the State's prisons and jails. **HB 498 (the Whittier prison)** represents a fundamental shift in policy that will return prisoners from Arizona, provide statewide relief to prison overcrowding and control Corrections' runaway budget.

When costs are compared, the difference in the two approaches is immediately apparent. *Attachments 1 and 2* summarize the Department's plan. It proposes to add 1,239 beds, to ten regional facilities, for a total capital cost of 239 million dollars. With an average daily operating rate, per bed, of \$111, this plan will increase the Department of Corrections annual operating budget by 50 million dollars. Further, the plan does not even presume to return prisoners from Arizona. It simply states that the expansion may "perhaps bring home some prisoners from out of state." (pg 25 Wildwood narrative) The Whittier prison adds the same number of beds (1200), for a total capital cost of 110 million dollars. This plan returns all 750 prisoners from Arizona and adds 450 medium security beds to satisfy the Department's reported in-state demand. Under the Whittier plan, the per diem rate is capped at \$89 to \$91 per bed, thereby delivering the same number of beds, for less than half the increase in operating cost under the Administration's plan, at only half the capital outlay.

Aside from the obvious economy of scale advantage of a single facility, what accounts for the huge difference? The difference is that the Administration's plan continues to expand the cost prohibitive policy of combining jail and prison services. This

practice, along with disproportionately high personnel costs, has propelled Alaska's prison and jail costs to double the national average.

Jails hold prisoners from the time of arrest until they are sentenced. The purpose of a jail is lock up...no fringe benefits, no programs, just lock up. After sentencing prisoners should be transferred to prisons that are built to provide security and rehabilitation programs.

Effective prison programs require access to health, education, training and other treatment resources that do not exist in many Alaska communities. Providing the same programs in facilities throughout the State is expensive and inefficient.

In *Attachment 3* you will see that the Department of Corrections is experiencing the worst facility overcrowding in State history. There is no question that there is a serious need for in-state beds. **The question is what kind of beds, and where?**

The Administration's master plan says that "the State now has an over abundance of medium custody inmates." (pg 2) The plan adds 217 medium security beds to the Palmer Correctional Center (Sutton) and 256 medium beds in Kenai. When the Arizona prisoners are factored into the demand, the State needs 1,223 prison beds.

The Department probably needs more beds at other facilities around the State, but *until jails are used as jails, and prisons are used as prisons, it is impossible to assess statewide regional demand.* For example, half of the prisoners in some regional facilities are sentenced, with the remainder awaiting trial or sentencing. Many of these facilities may not need to expand if the sentenced felons could be moved to a new prison facility. *Attachment 4* shows that this condition exists throughout the state.

Under the Administration's plan, the State will add only 473 medium security beds in Kenai and Palmer, for a capital cost of 94.5 million dollars. For the same money (\$110 million) the Whittier plan delivers 1200 beds. But the real cost savings is seen when the combined daily capital and operating costs, per bed, are compared.

Attachment 5 is an "apples to apples" comparison of private and State operated medium security beds. The State's daily average operating cost, per bed, in Palmer and Kenai is \$89. That cost includes the Department's reported daily cost, per bed, for those institutions, plus inmate programs, administration and statewide indirect costs. It omits major medical to fairly compare with the Whittier per diem. The capital cost for the 473 beds, amortized over twenty-five years, is \$36 per day, per bed. Thus, the total cost for a State medium security bed in South Central Alaska is \$125 per day, without major medical.

The Whittier prison's combined daily capital and operating cost, per bed, is capped at \$89 to \$91, without major medical. A local government owned, but privately built and managed, medium security prison bed saves the State \$35 per day, per bed, or 15.3 million dollars per year for 1200 beds.

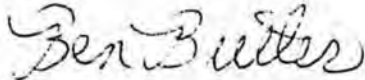
RECOMMENDATION

It is apparent that something must be done about the crisis in Corrections this session. The immediate need for 1,200 prison beds is obvious. But from the Department of Corrections' plan, it appears that the State has other legitimate prison and jail needs that may not be met by the Whittier prison.

After years of isolation in the backwaters of public policy, Whittier is sensitive to the needs of local communities throughout the State. Rather than piecemeal consideration of a variety of prison bills, perhaps there is a way to combine the Whittier plan with other obvious and compelling correctional needs.

Be that as it may, we deeply appreciate the Legislature's thoughtful consideration of the Whittier prison plan, as well as your advocacy on our behalf.

Sincerely,

A handwritten signature in cursive script that reads "Ben Butler".

Ben Butler
Mayor

enc: 6 Attachments

* Department of Corrections Master Plan
 "Corrections + Community Partnerships
 A New Way of Doing Business"
 February 2002

Summary

Location	# Beds	Type	Total Cost (Millions)
Bethel	96	Jail/Sentenced	\$18.594
Fairbanks	80	Jail/Sentenced	\$15.152
Palmer	217	Medium/Sentenced	\$44.494
Seward	150	Juvenile/Sentenced	\$28.130
Mat-Su	102	Jail	\$27.517
Anchorage	192	Jail/Special Need	\$26.428
Pt. Mac	88	Minimum/Sentenced	\$9.908
Kenai	256	Medium/Sentenced	\$50.050
Juneau	64	Jail/Sentenced	\$11.312
Keetchikan	24	Jail	\$7.478
Total Beds	1,269	Total Capital Costs For beds and Infrastructure	\$239.060
\$111 Average Daily Cost Per Bed	1,269	Annual Operating Cost	\$50.1

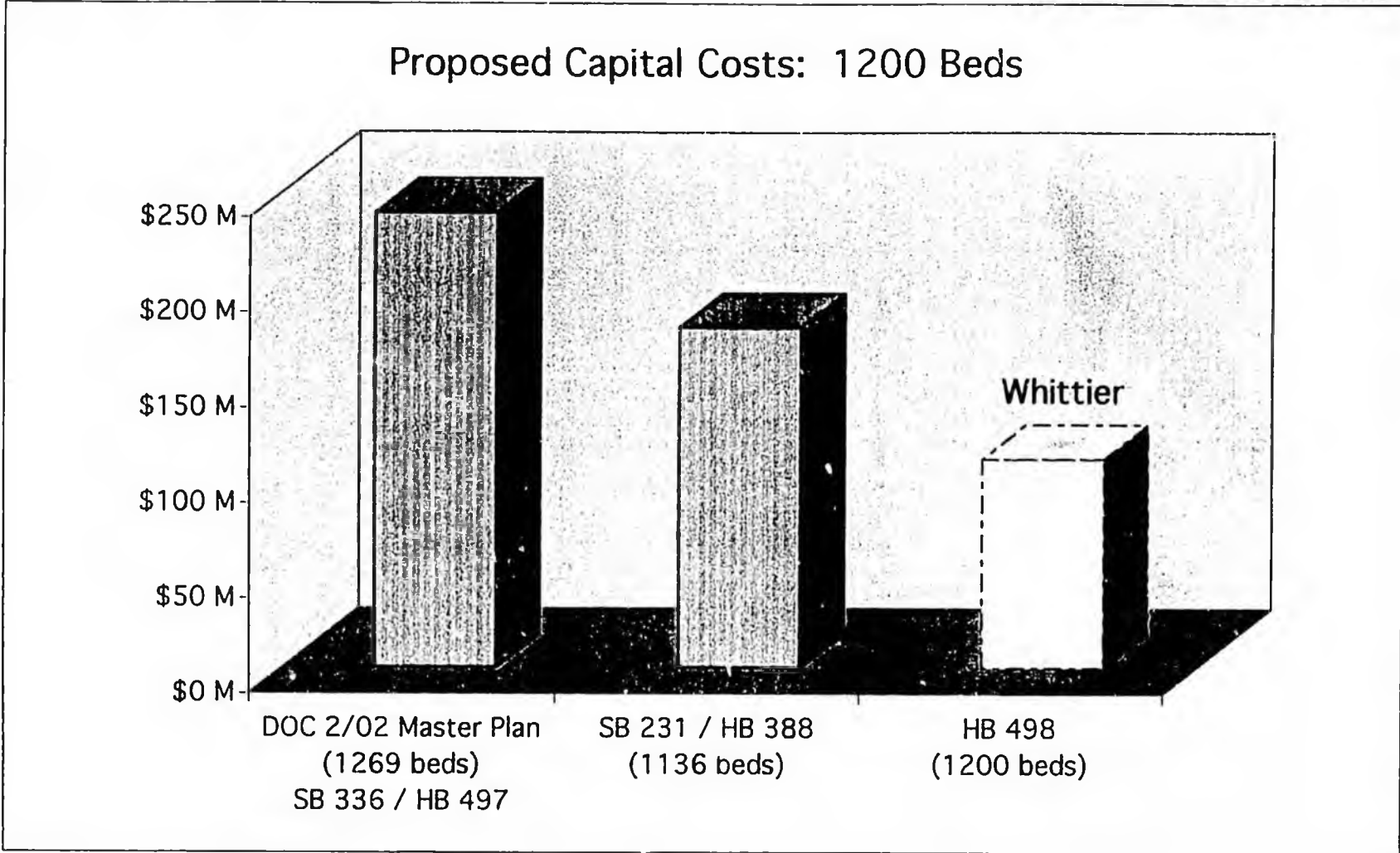
"The State now has an overabundance of medium custody inmates"

Page 2, *Corrections + Community Partnerships - A New Way of Doing Business*, February 2002

Medium Security Prison Space Demand	Palmer	217
	Kenai	256
	Arizona	750 (High Medium)
Total Beds Needed		1,223



* Senate Bills 336 and 231 and House Bills 497 and 398 are designed to implement this plan in whole or in phases

Proposed Capital Costs: 1200 Beds



Instate Inmate Count - Alaska Department of Corrections - February 2002

	104	403	211	233	58	170	85	78	214	176	108	486	255	113	92	Emergency Cap	2786	
	102	397	200	225	52	164	82	78	207	176	104	466	249	112	88	Maximum Cap	2702	
Day	AMCC	CIPT	FCC	HMCC	KCC	LCCC	MSPT	MCCC	PCCmed	PCCmin	SIXTH	SCCC	WCC	WPT	YKCC	Totals	Over Max	
1			203	222	57			77		176				94	91	2859	106%	
2			206	224			85	77		176	108			106		2887	107%	
3			204	226				78		176				105		2907	107%	
4				226			85	75		178				104		2916	108%	
5			211	226			83	77		176				105		2921	108%	
6				226				77		176	107			104		2913	108%	
7				230			84	77		176	107			103		2917	108%	
8				231	55		82	77		175	108			111		2905	107%	
9		211					85	77		175	107			110		2920	108%	
10							85	77		175	108			109		2932	108%	
11						168	85	77		176	101			103		2916	108%	
12				232		169	84	77		176	100			104		2912	107%	
13			210	229			82	77		176	107			106		2915	107%	
14				227			78	77		175	104			97		2909	107%	
15				222			79	77		178				110		2928	108%	
16				223			75	77		176				111		2938	108%	
17				231			75	78		176				109		2944	108%	
18				230			81	78		175	106		253	108		2943	108%	
19				230			79	78		176	104		252	105		2946	108%	
20				226			80	78		176	106		253	109		2942	108%	
21				218	58		79	78		176	107			109		2939	108%	
22		204		216	57		79	76		176				107		2931	108%	
23				219			77	76		176				110		2951	108%	
24				218			81	75		176				110		2952	108%	
25				217			85	78		176				97		2961	109%	
26				215			82	78		176				102		2963	109%	
27				215			81	77		176	102			102		2917	107%	
28				212	57		82	77		176	102			99		2920	107%	
Avg.	113	437	214	225	61	177	82	77	228	176	110	541	261	105	104	2911	108%	104%

 = Over Maximum Capacity
 = Over Emergency Capacity

Department of Corrections Daily Totals

Institution	MEN Sentenced	MEN Unsentenced	WOMEN Sentenced	WOMEN Unsentenced	Total
Anvil Mt. (Nome)	42	61	1	3	107
Cook Inlet PT	83	355	2	1	441
Fairbanks CC	47	141	10	12	210
Hiland Mt. CC	0	0	129	86	215
Ketchikan CC	15	43	3	3	64
Lemon Creek CC	101	59	3	10	173
MatSu Pre-Trial	7	72	0	1	80
Meadow Creek	78	0	0	0	78
Palmer Med. CC	100	130	0	0	230
Palmer Min. CC	173	3	0	0	176
6 th Avenue	28	68	0	4	100
Spring Creek CC	535	10	0	0	545
Wildwood CC	243	16	0	0	259
Wildwood PT	16	72	3	2	95
YKCC (Bethel)	26	87	1	7	121
Total	1496	1117	152	129	2,894

Percentages of Sentenced and Unsentenced

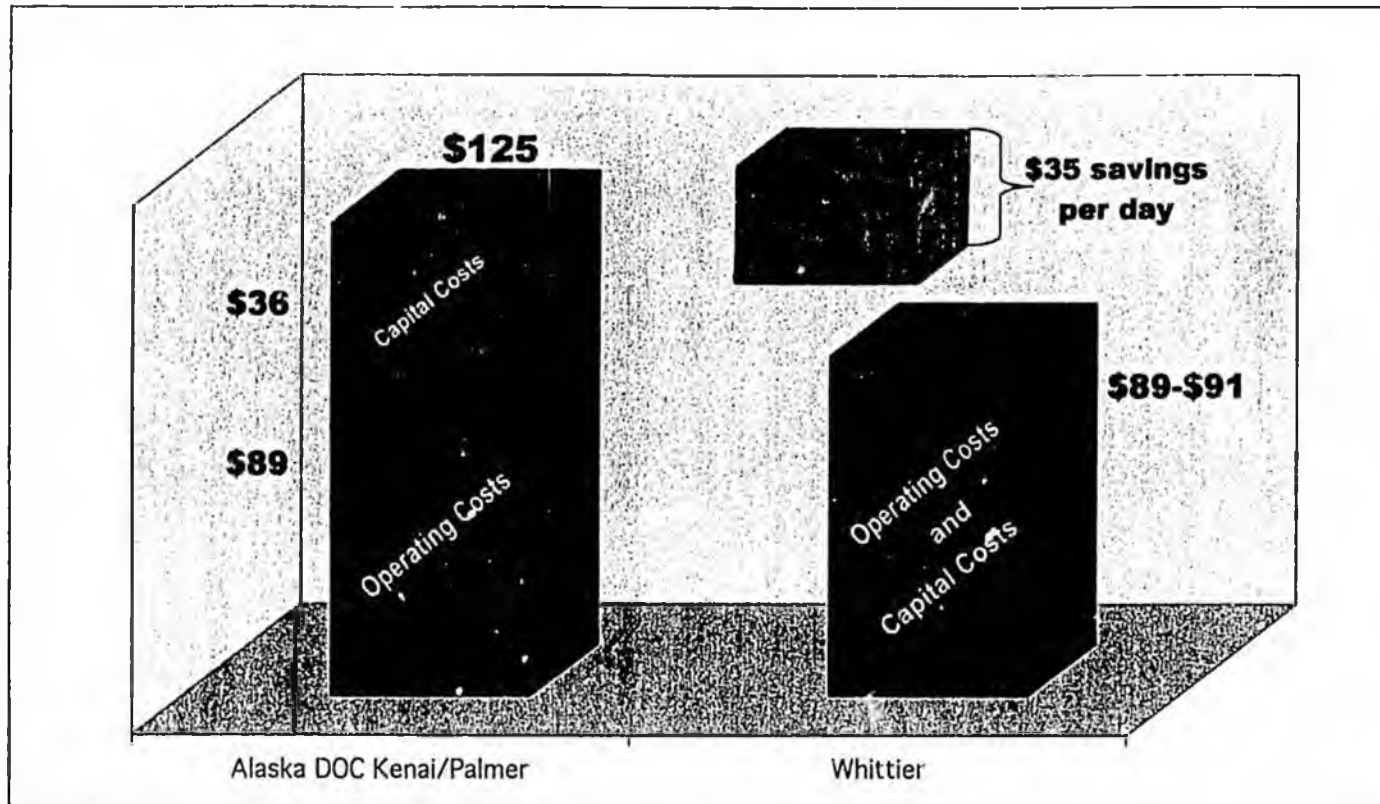
Unsentenced	Sentenced	Total
1246	1648	2,894
43%	57%	100%

Capitol and Operating Cost Comparison

Private vs. State Medium Security Beds

South Central Alaska

Attachment 5














Notes:

1. \$89 is the Wildwood and Palmer Average Daily Cost of Care, plus Inmate Programs, Admin and Support, and Statewide Indirect, less Major Medical.

2. \$36 is the Construction of the State's Planned Palmer and Kenai medium security prison additions (473 beds) amortized over 25 years.

Source: D.O.C. Daily Cost of Care (effective January 1, 2001) Published 12/7/00

Benefits to the State

-  Returns \$18 million per year to Alaska economy; economic multiplier effect benefits all of Alaska
-  325 Union construction jobs*
-  228 Indirect construction related jobs*
-  225-275 permanent prison jobs*
-  200 permanent indirect jobs*
-  Purchase of goods, materials and services associated with construction and operation over 25 years
-  35% less costly than State built and operated prison beds
-  Mitigates state liability for prison overcrowding
-  Returns Alaska prisoners nearer to Alaska rehabilitation resources and families
-  Only prison plan that focuses on Alaska Natives with programs *for Natives by Natives*
-  Adds value to \$90 million Anton Anderson Tunnel

* Adapted from Information by Scott Goldsmith, University of Alaska

BILL J. ALLEN
Publisher

Voice of the Times

A CONSERVATIVE VOICE FOR ALASKANS

WILLIAM J. TOBIN
Editor

Time to break impasse on prisons

By FRANK PREWITT

ANWR, subsistence, the budget deficit, "all day long the noise of policy war rolls across the winter sea" muffling the sound of a lesser battle where loss, rather than quality, of life is threatened. The engagement is over how best to manage Alaska's prisons and jails. Like other battles, the impasse from years of turf struggle weighs most heavily on the innocent and powerless. In Corrections' case, innocent staff and powerless offenders.

Twelve out of Alaska's 15 correctional facilities are, again, operating at emergency levels of overcrowding. Bad things happen when prisons and jails are overcrowded. Facilities and equipment break down, tempers flare, routine is disrupted, security is compromised and people get hurt, sometimes killed.

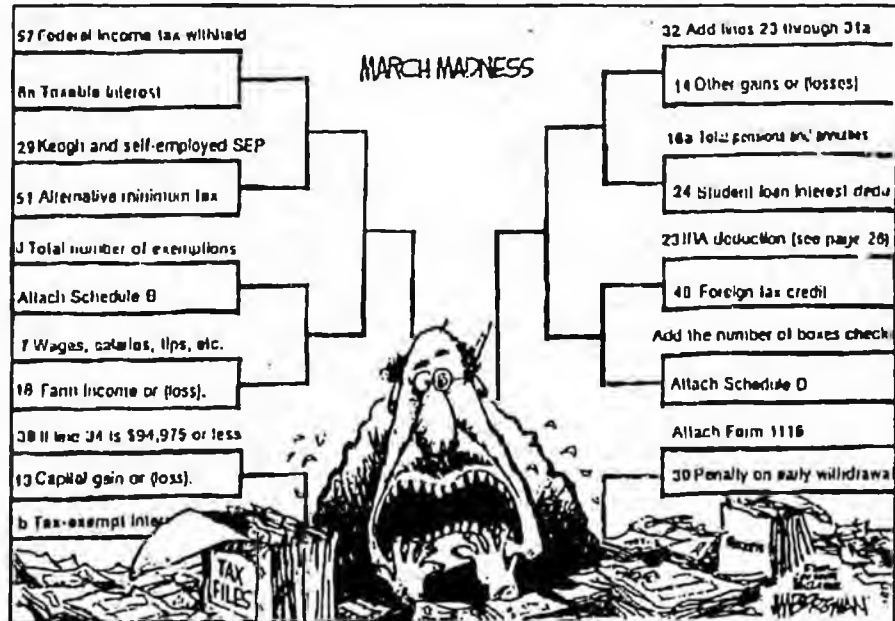
These life-threatening conditions are the result of a philosophical standoff between two legitimate, but distinctly different approaches to managing state resources.

One approach is the Department of Corrections' new master plan, "Corrections & Community Partnerships: A New Way of Doing Business." This session, four bills have been introduced to implement this plan. But rather than "a new way of doing business," the plan simply re-packages the old, increasingly impractical and cost-prohibitive approach to managing correctional services.

The other approach is the Whittier prison plan. The most obvious distinction between the two is the cost for the proposed beds. The department's plan adds 1,269 beds, to 10 facilities, for a construction cost of \$239 million. The Whittier private/public partnership adds the same number of beds, in one central facility, for a construction cost of \$110 million.

At an average daily operating cost, per bed, of \$111, the department's plan will increase the operating budget by nearly \$50 million, plus capital costs. The Whittier prison provides the same number of beds for a combined daily capital and operating cost of \$89 to \$91 per bed.

Both plans meet state and national



standards. The difference is that Corrections' plan continues the practice of housing prison and jail services under one roof, sacrificing economy of scale in favor of duplicating services throughout the state.

Jails are meant to hold prisoners from arrest to sentencing and through appeal. The mission of a jail is safe and secure confinement — no frills, no programs, just confinement. After sentencing, most convicted felons in other states and the federal system are transferred to central prisons designed to meet their security and program needs. Only prisoners with short sentences remain in local jails.

Prisons require access to mental health, adult education, vocational training and other resources that are in limited supply in many Alaska communities — resources like CIRI's Southcentral Foundation, the University of Alaska, the Alaska Native Medical Center and a host of other programs and practitioners committed to fostering behavioral change in people. Within a year or two of release, offenders should be transferred to halfway houses, close to family and the community support systems needed for successful reintegration.

Duplicating these services in facilities

throughout the state is inefficient, expensive and often ineffective because quality and continuity are difficult to maintain.

The department's plan adds 473 beds for sentenced felons in Palmer and Kenai. Add 750 Alaskan prisoners in Arizona and the state needs all 1,200 of the beds proposed by the Whittier plan. There is also a need for jail beds at other facilities around the state. But until jails are used as jails and prisons are used as prisons, it is difficult, if not impossible, to determine regional demand.

Edmund Burke said, "all government — indeed, every human benefit and enjoyment, every virtue and every prudent act — is founded on compromise and barter." It is time to compromise or barter through the impasse in Corrections by expanding state and municipal jails where there is a clear need, and by supporting private/public partnerships that can build and manage new prison beds at lower public expense.

The state simply cannot afford to become stuck fast in yesterday's way of doing business.

Frank Prewitt, an Anchorage attorney, is former commissioner of Corrections and a consultant to the Whittier prison project