

**HB**

**498**

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 4  
 Bill Version: CSHB 498(FIN)  
 (H) Publish Date: 4/22/02

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
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>395.0</b>	<b>1,712.1</b>	<b>1,710.1</b>	<b>1,711.1</b>	<b>1,712.3</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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
<b>TOTAL</b>	<b>0.0</b>	<b>395.0</b>	<b>1,712.1</b>	<b>1,710.1</b>	<b>1,711.1</b>	<b>1,712.3</b>

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: Devon 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 #4

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. CSHB 498(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: 3  
Bill Version: CSHB 498(FIN)  
(H) Publish Date: 4/22/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dep't. 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 Component No. #0694  
Requester State Affairs; Finance

**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
<b>TOTAL OPERATING</b>	<b>165.5</b>	<b>170.7</b>	<b>792.1</b>	<b>34,919.7</b>	<b>41,509.3</b>	<b>41,543.9</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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)						
<b>TOTAL</b>	<b>165.5</b>	<b>170.7</b>	<b>792.1</b>	<b>34,919.7</b>	<b>41,509.3</b>	<b>41,543.9</b>

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

Phone 465-3315  
Date/Time 4/19/02 9:10 AM  
Date 4/19/02

FISCAL NOTE #3

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. CSHB 498(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 \$638.0 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 prisons 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 #3

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. CSHB 498(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) \$5,882,000 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 Kani 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: 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	168.0	168.0
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						
<b>TOTAL OPERATING</b>	<b>165.5</b>	<b>85.2</b>	<b>707.0</b>	<b>27,522.8</b>	<b>26,730.3</b>	<b>26,832.8</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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)						
<b>TOTAL</b>	<b>165.5</b>	<b>85.2</b>	<b>707.0</b>	<b>27,522.8</b>	<b>26,730.3</b>	<b>26,832.8</b>

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**

	1	1	9	14	13	13
Full-time						
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  
 Division: Administrative Services  
 Approved by: Margaret M. Pugh, Commissioner  
 Agency: Department of Corrections

Phone 465-3315  
 Date/Time 2/27/02 2:24 PM  
 Date 2/27/02

## 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. Those 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 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) @ \$80.0 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 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 = \$18.0 (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 (\$85.0 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 expense 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 prisoners 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 \$85 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>95.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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				
<b>TOTAL</b>	<b>0.0</b>	<b>95.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 2/22/02 2:46 PM  
 Date 2/22/2002

FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

BILL NO. HB 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  
REPRESENTATIVE JOHN HARRIS  
STATE CAPITOL 513, JUNEAU, ALASKA 99801-1182 (907) 465-4859

**MEMORANDUM**

April 30, 2002

To: Senator Robin Taylor, Chairman  
Senate Judiciary Committee

From: Rep. John Harris *JH*

Subject: Request to schedule HB 498

CSHB 498(Fin)am, relating to a private prison in Whittier and authorizing expansion of the state's correctional facility in Bethel, has passed the House and been referred to the Senate Judiciary Committee. By this memo, I request that you schedule HB 498 for consideration by your committee as soon as your calendar will accommodate it.

Attached to this memo are background materials, including a copy of the House-passed version of the bill; fiscal notes from the departments of corrections and law; sponsor statement; sectional summary; and other supporting materials. If you require additional information, please contact John Manly of my staff at 465-4859. Thank you for your consideration of this request.

**REQUEST FOR  
HEARING**



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

**Sponsor Statement**

CSHB 498(FIN)am - "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 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."

CS for House Bill 498 (FIN)am authorizes the construction of a local government-financed, local government-owned, and privately managed 1000 bed, medium security prison in the City of Whittier, and authorizes the expansion of the Yukon-Kuskokwim Correctional Center in Bethel by up to 96 new beds.

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 600 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.

**Sponsor Statement**

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.

The House of Representatives chose to add to the bill the Governor's number one priority for prison expansion, the Y-K Correctional Facility in Bethel. This expansion of up to 96 beds would relieve the chronic overcrowding at a critical regional facility. The CS authorizes this expansion through the use of certificates of participation for a total cost not to exceed \$17.6 million.

This sponsor statement prepared by the office of Representative John Harris (465-4859).



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

Sectional Summary for 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 provides an effective date of July 1, 2002.

Section 7 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.



# THE CITY OF WHITTIER

Gateway to the Western Prince William Sound

P. O. Box 608 • Whittier, Alaska 99693 • (907) 472-2377 • Fax (907) 472-2404

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

**INFORMATION  
STATEMENT**

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.

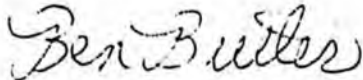
## RECOMMENDATION

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,



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
Ketchikan	24	Jail	\$7.478
<b>Total Beds</b>	<b>1,269</b>	<b>Total Capital Costs</b>	<b>\$239.060</b>
		For beds and Infrastructure	
<b>\$111 Average Daily Cost Per Bed</b>	<b>1,269</b>	<b>Annual Operating Cost</b>	<b>\$50.1</b>

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

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

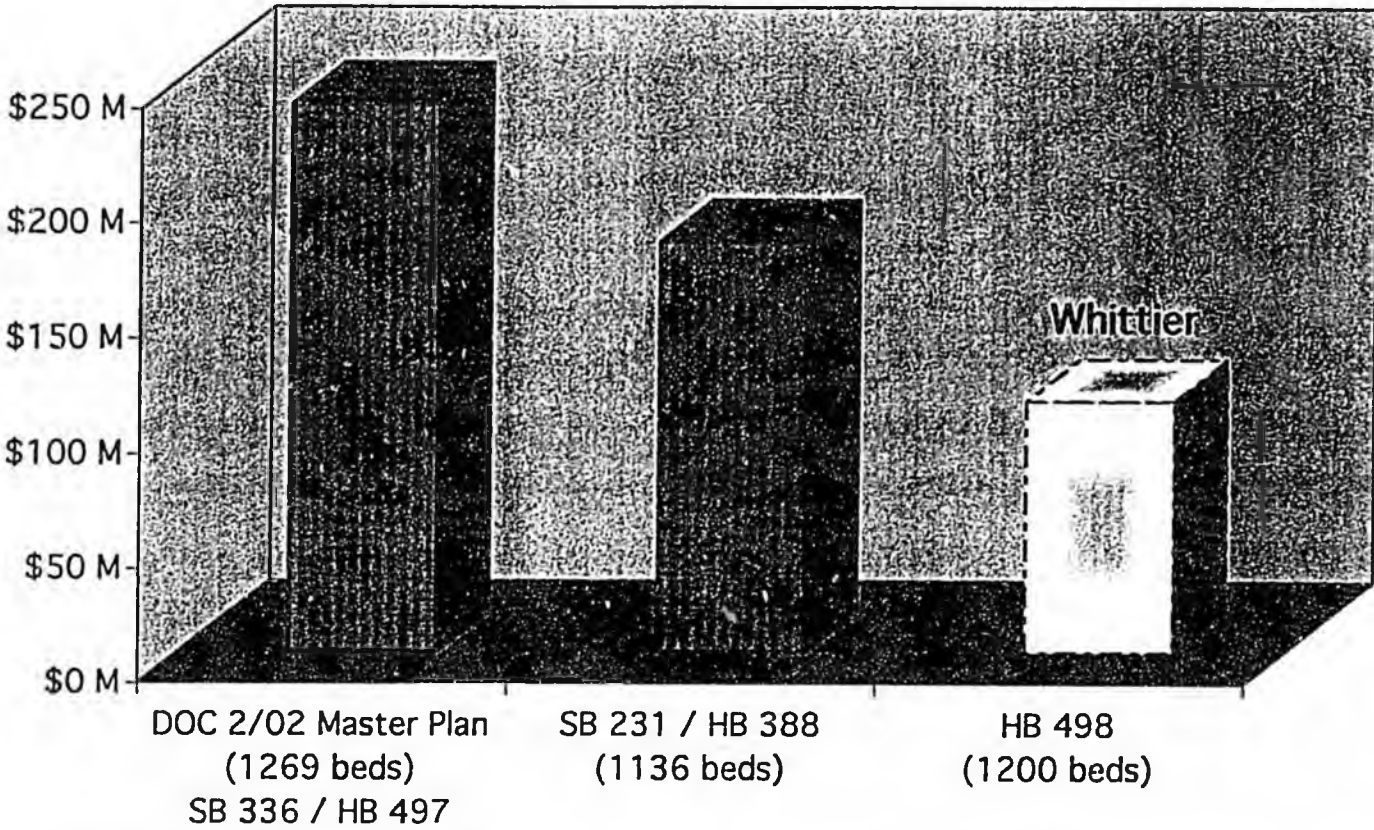
Medium Security Prison Space Demand

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				232		168	85	77		176	101			103		2916	108%	
12				229		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**

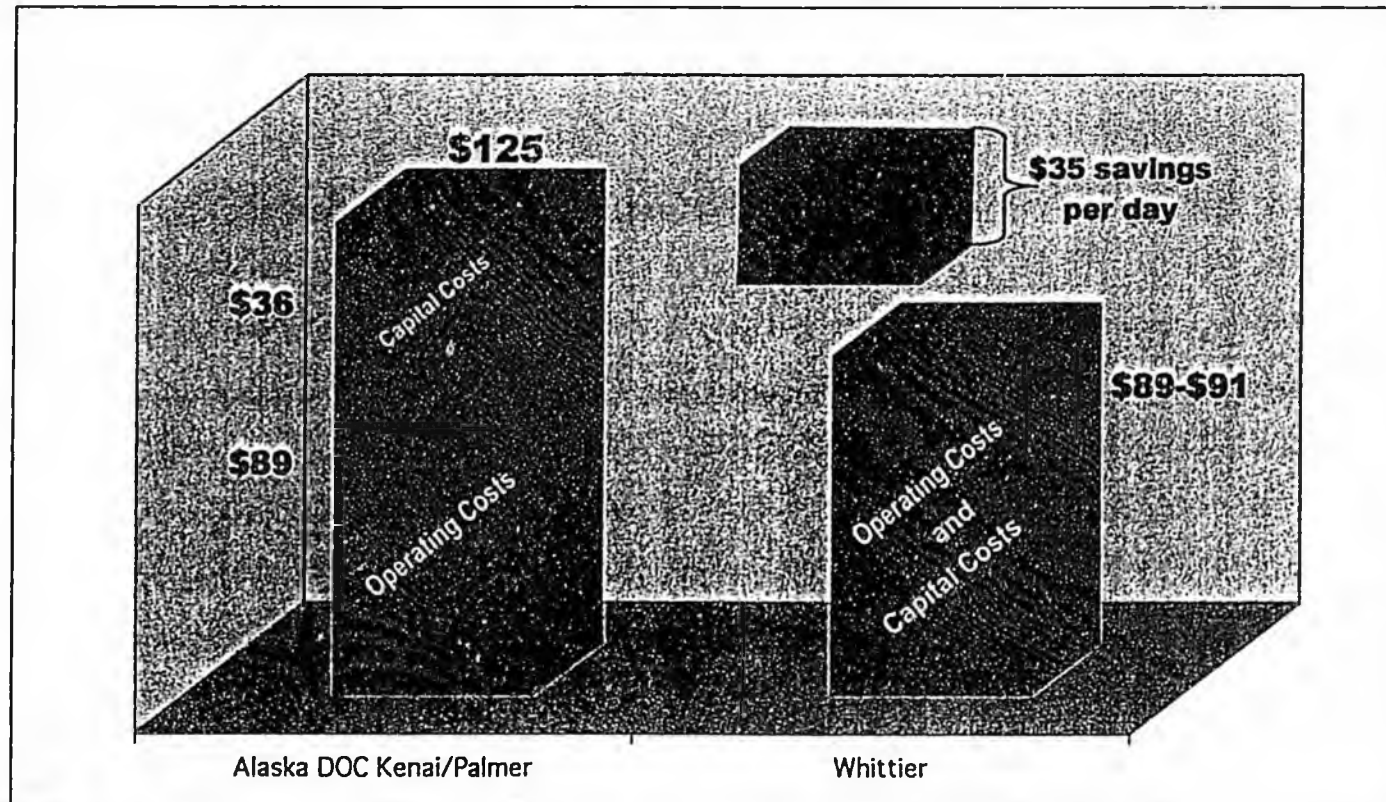
Institution	MEN Sentenced	MEN Unsentenced	WOMEN Sentenced	WOMEN Unsentenced	Total
Anvil Mt. (Nome)	42	61	1	3	107
Cook Inlet PT	83	355	2	1	441
Fairbanks CC	47	141	10	12	210
Hiland Mt. CC	0	0	129	86	215
Ketchikan CC	15	43	3	3	64
Lemon Creek CC	101	59	3	10	173
MatSu Pre-Trial	7	72	0	1	80
Meadow Creek	78	0	0	0	78
Palmer Med. CC	100	130	0	0	230
Palmer Min. CC	173	3	0	0	176
6 <sup>th</sup> 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
<b>Total</b>	<b>1496</b>	<b>1117</b>	<b>152</b>	<b>129</b>	<b>2,894</b>

**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  
Writer

# Voice of the Times

A CONSERVATIVE VOICE FOR ALASKANS

WILLIAM J. TOBIN  
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 whose 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.

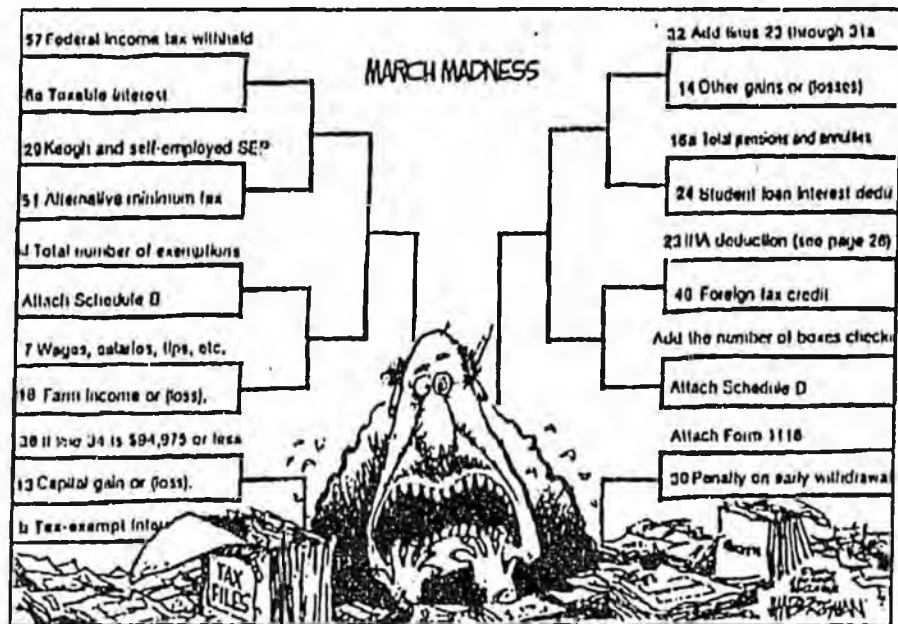
These life-threatening conditions are the result of a philosophical standoff between two legitimate, but distinctly different approaches to managing state resources.

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 760 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