

SB

231

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB231
(S) Publish Date: 3/22/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Corrections
Title: An Act relating to correctional facilities BRU: Administration and Operations
Component: ALL
Sponsor: Senator Green, Elton
Requester: Senate C&RA Committee 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	284.0	294.7	305.8	317.3	0.0	0.0
Travel						
Contractual	159.1	0.0	0.0	18,971.2	18,971.2	18,971.2
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous	83.6	70.0	70.0	53,401.1	53,331.1	53,331.1
TOTAL OPERATING	526.7	364.7	375.8	72,689.6	72,302.3	72,302.3

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	526.7	364.7	375.8	72,689.6	72,302.3	72,302.3
1156 Receipt Services						
1037 GF/Mental Health						
1050 PFD Fund						
TOTAL	526.7	364.7	375.8	72,689.6	72,302.3	72,302.3

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	4	4	4	329	325	325
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill authorizes the Department of Corrections to enter into twenty-year lease agreements with the Fairbanks North Star Borough, Matanuska-Susitna Borough, City and Borough of Juneau, Bethel, Ketchikan Gateway Borough, Seward, and Kenai Peninsula Borough for up to 1,138 beds at state correctional facilities.

Assume that the local government agencies will fund the costs of the new or expanded correctional facilities construction through local bond sales backed by the state leases. Costs of construction not to exceed \$155,000 per bed. Cost of annual lease payments to each facility may not exceed \$16,700 per bed.

DOC will require four (4) long-term Project positions- Facilities Manager I to interface with each of the local government projects during design and construction phases and through 1st year operations.

(CONTINUED ON PAGE 2 of 2)

Prepared by: Joseph Reeves Phone 465-3315
Division: Administrative Services Date/Time 3/19/02 5:10 PM
Approved by: Margaret M. Pugh, Commissioner Date 3/19/02
Agency: Department of Corrections

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB231 #1

ANALYSIS CONTINUATION

Each of the positions costs \$71.0 for the first year, second and subsequent years will include a 3.75% performance incentive (annual merit adjustment) built in per the provisions of current labor contracts. Personal services costs are to run through FY2006. Each of these new positions also require \$20.9 of support costs for FY2003 and \$17.5 for FY2004-2006 (Shown in Miscellaneous Line of Fiscal Note). Funds will be used for travel (on-site monitoring of construction, etc), contractual services (communication, printing/binding, etc), commodities (consumable office supplies, etc), and one-time first year equipment (pc's, printers, etc).

The Department of Corrections (DOC) also requires funds to enable the Agency to hire a professional contractor to negotiate and execute necessary lease contracts with the seven (7) local governments. Estimate approximately \$185 per hour X 860 hours = \$159,100 or \$159.1 (Shown in Contractual Line of FN). The Municipality of Anchorage spent about \$80.0 on their prison contract negotiations for their new 400-bed Anchorage Jail. Assume all necessary contracts would be completed in FY2003.

Assume that the First Year FY2003 will be for Architectural and Design, construction to be completed in FY2004 & FY2005, with new operations to commence FY2006.

Annual Lease Costs, by Facility (Shown in Contractual Services Line):

Fairbanks Correctional Center: 100 new beds X \$16,700 per bed = \$1,670,000
Matanuska-Susitna Correctional Center: 370 new beds X \$16,700 per bed = \$6,179,000
Lemon Creek Correctional Center: 64 new beds X \$16,700 per bed = \$1,068,800
Yukon-Kuskokwim Correctional Center: 96 new beds X \$16,700 per bed = \$1,603,200
Ketchikan Correctional Center: 100 new beds X \$16,700 per bed = \$1,670,000
Spring Creek Correctional Center: 150 new beds X \$16,700 = \$2,505,000
Wildwood Correctional Center: 256 new beds X \$16,700 = \$4,275,200

Additionally, security and life/safety staff and institutional staffing necessary to support these 1,136 new offender beds is based on 3.5 offenders per 1 staff. Thus, 325 new staff will be needed to support these additional offender beds statewide. Cost of these staff are included in the daily cost of care for each facility X the number of new beds at each facility, as follows (Cost of Care includes Institutional costs, Inmate Health & Programs, Admin. Support, and Indirect):

(Shown in Miscellaneous Line of Fiscal Note)

Fairbanks CC: 100 Beds X \$131.37 per day X 365 days = \$5,014,005
Matanuska-Susitna CC: 370 Beds X \$126.76 per day X 365 days = \$17,118,938
Lemon Creek CC: 64 Beds X \$139.25 per day X 365 days = \$3,252,880
Yukon-Kuskokwim CC: 96 Beds X \$162.18 per day X 365 days = \$5,682,787
Ketchikan CC: 100 Beds X \$185.74 per day X 365 days = \$6,779,510
Spring Creek CC: 150 Beds X \$111.53 per day X 365 days = \$6,106,268
Wildwood CC: 256 Beds X \$100.35 per day X 365 days = \$9,376,704

The \$72,302.2 annual costs of incarceration and lease payments can be offset by moving any remaining offenders housed at the Out of State contract facility (Central Arizona Detention Center) back to Alaska and housing them in the new beds created by this bill. Assuming that there will be at least 585 offenders left in Arizona, at \$65 per day X 365 days = \$13,879.1 of savings that can be applied to the new bed costs.

The Department of Corrections has twelve (12) state institutions statewide holding a maximum capacity of 2,702 offenders and an emergency capacity of 2,788 offenders. The institutions have a replacement value of over \$376,000,000. This bill expands the maximum bed capacity by approximately 40%. Assuming each bed cost \$155,000 per, the additional value to facilities for the new 1,136 beds is \$176,080,000 or an increase of approximately 46%. Joint ownership of existing state facilities will need to be discussed with Department of Administration and the Department of Transportation & Public Facilities who controls the structures, and with the Department of Natural Resources who owns the public land. There will be considerable issues to the concept of providing dual ownership of state-owned public facilities to local governments.

End.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 231
 (S) Publish Date: 3/22/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Correctional Facility Expansion BRU Revenue Operations
 Component Treasury Division
 Sponsor Senator Green
 Requester Community & Regional 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	5.0				
Contractual	75.0	25.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	90.0	30.0	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	5.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds	75.0	25.0				
TOTAL	90.0	30.0	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)

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750
 Division Treasury Division Date/Time 3/20/02 9:40 AM
 Approved by: Larry Perslly, Deputy Commissioner Date 3/20/2002
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB 231 #2

ANALYSIS CONTINUATION

The legislation authorizes the Department of Corrections to enter into leases with seven municipalities for new or expanded correctional facilities. The municipalities would fund these projects by issuing lease-revenue bonds. These bonds would require the municipalities to pledge the state's lease payments, to the extent they are appropriated, and provide a trustee bank with a title interest in the new or improved facility for the benefit of the bond purchasers. Although this legislation does not explicitly refer to the Department of Revenue, the department should be involved in the transaction as the state's credit is used each time a state lease payment is directly pledged to a bond sale. The state has made a concerted effort over the past 20 years to centralize the issuance of debt involving the state's credit through the State Bond Committee. It is noteworthy that in the case of the Anchorage jail -- the last time the legislature authorized a lease-revenue transaction -- the State Bond Committee approved the Municipality of Anchorage's transaction documents and terms of sale. The national bond rating agencies review and rate these transactions, and a lack of direct state involvement would draw concern during the state's annual ratings review.

In providing the cost estimates in this fiscal note, the following assumptions were made:

1. The municipalities will issue bonds in early FY 2003.
2. The municipalities will have to issue these bonds separately.
3. As state-supported appropriation debt, the bonds will be rated A1, A+ and A+, resulting in interest rates comparable to other state-supported COPs
4. The bonds will have 15-year terms.
5. The municipalities will issue the maximum amount authorized under this legislation (\$176,080,000) for projects, plus the cost of issuing these bonds (while there is no limitation, these costs are estimated at \$2,900,000).

The legislation requires at least one bond sale from each of the seven municipalities listed. This is an inefficient way to raise funds for these projects, as each transaction will have fixed costs of issuance. Rating agency, bond counsel, financial advisory, printing and other fees will be incurred seven times rather than one. This results in the bonds costing an estimated \$1 million to \$2 million more than other financing alternatives.

Due to the State Bond Committee's role in these transactions, the state's bond counsel and financial adviser will have to participate in drafting the legal documents, structuring the transaction, and working with the rating agencies for each of the bond sales. The cost of this effort is estimated at \$120,000 over fiscal years 2003 and 2004.

One technical issue with the legislation is the Spring Creek facility expansion. The legislation would authorize the City of Seward to sell bonds for an expansion of the Spring Creek prison. However, Spring Creek currently has certificates of participation outstanding and a title interest in the facility has already been given to the purchasers of these bonds. Similar to a home, you cannot give another first lien pledge to this facility without either paying off the existing obligations or obtaining consent from the bondholders (a very difficult proposition). Under the existing indenture, the City of Seward could not assume ownership of the Spring Creek facility or part of the facility.

ALASKA STATE LEGISLATURE



Interim:
600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 376-3370
(907) 376-3157 Fax

Session:
State Capitol
Juneau, Alaska 99801-1182
(907) 465-6600
(907) 465-3805 Fax

SENATOR LYDA GREEN SENATE DISTRICT N

DATE: March 20, 2002
TO: Senator Robin Taylor, Chair
Senate Judiciary Committee
FROM: Senator Lyda Green *LG*
RE: Hearing Request

Senate Bill 231, "An Act relating to correctional facilities." has been referred to the Judiciary Committee. This is my formal request that a hearing for SB 231 be held at the earliest opportunity.

A copy of the sponsor statement accompanies this request. If you have any questions please call Jerry at 3579.

Your cooperation is appreciated.

Request for Hearing

ALASKA STATE LEGISLATURE



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SENATOR LYDA GREEN SENATE DISTRICT N

Sponsor Statement SB 231

The need for additional prison beds in Alaska has been recognized by the Legislature for a number of years. Currently, there are hundreds of Alaskan prisoners being held in facilities outside of Alaska. The money that leaves Alaska to pay for the housing of these prisoners provides jobs and economic activity in Arizona, instead of Alaska.

Senate Bill 231 provides legislative authorization for the expansion of state prisons by local governments. Under the provisions of SB 231, local governments would finance the construction of new prison facilities and additional beds at facilities currently owned by the state. The State of Alaska would then enter into long-term leases and operate the facilities as part of the state correctional system. This financing mechanism allows the state to acquire facilities with no upfront capital costs. It benefits both the state and local economies with construction jobs and long-term jobs in the facilities. In many cases the existing facilities were designed with oversized core facilities that allow for expansion at a cost that is far less than that of building the same number of beds in a new facility.

The need for additional prison beds in Alaska is virtually uncontested. However, the location of facilities, the method of financing the construction and who will operate the new facilities all raise issues. In 1998, the Legislature authorized the construction of a privately constructed and operated prison with a minimum of 800 beds in Delta Junction. This prison was not built. In 2001, the Legislature passed HB 149, which provided for construction of a minimum of 800 private prison beds on the Kenai Peninsula. This prison also is not being built. By expanding currently existing facilities, very little energy must be spent on convincing a community that a prison should be constructed there. Expansion poses few of the obstacles that accompany new construction at new locations. Current correctional facilities are already integrated into and accepted by local communities.



CITY MANAGER

POST OFFICE BOX 1397, KODIAK, ALASKA 99615

TELEPHONE (907) 486-8640

FAX (907) 486-8600
April 2, 2002

Senator Robin Taylor
Chair, Senate Judiciary Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801 - 1182

RE: SB 231

Dear Senator Taylor:

The Council of the City of Kodiak passed the attached resolution on March 28, 2002, supporting the passage of Senate Bill 231. The Council is committed to working with the State of Alaska to replace, and expand, the State contract jail operated by the City of Kodiak. We believe that Senate Bill 231 provides a mechanism for us, and other communities, to do just that.

One particular item that the Council wanted me to elaborate on, in this cover letter, is our concern about the liability that operating the jail poses for the City of Kodiak. Contracting with the State to operate the jail is important to our community, our region and the State; however, our contract with the State places all the liability for operating the jail on the City of Kodiak. This is becoming an unacceptable burden, as the facility ages. The State contract jail operated by the City of Kodiak is over sixty (60) years old. It is the oldest operating correctional facility in the State of Alaska. It is becoming more and more difficult for the City to justify keeping this facility open as the age and condition of the facility increase our liability daily.

We have worked hard to operate the jail in a professional manner, but the constraints of the facility make it difficult to do more than we currently do. We urge you, your committee and the entire legislature to support Senate Bill 231.

Respectfully,

A handwritten signature in black ink, appearing to read "Linda L. Freed".

Linda L. Freed, Manager
City of Kodiak

c.c. Senator Alan Austerman
Kodiak City Council and Mayor

INFORMATION
STATEMENT

**CITY OF KODIAK
RESOLUTION NUMBER 02- 07**

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK

WHEREAS, the State contract jail, in the City of Kodiak, is over sixty (60) years old and is the oldest operational correctional facility in the State of Alaska; and

WHEREAS, the State contract jail, in the City of Kodiak, is owned and operated on behalf of the State of Alaska by the City of Kodiak, on a contractual basis; and

WHEREAS, the State contract jail, in the City of Kodiak, is part of a network of regional correctional facilities that when upgraded and expanded provide a solution to the correctional housing needs of the State of Alaska; and

WHEREAS, Senate Bill 231 addresses correctional housing needs in many Alaska communities, sharing the economic benefits of correctional facility improvements and expansion throughout the State; and

WHEREAS, the City of Kodiak is committed to the construction of a new, expanded jail to serve the correctional needs of the Kodiak region, and the State of Alaska; and

WHEREAS, Senate Bill 231 provides a mechanism for funding jail improvements and expansion by allowing municipalities, such as the City of Kodiak, to bond for construction of correctional facilities with the State paying the debt service on the bonds under a leasing arrangement.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the City supports Senate Bill 231, and the financing mechanism identified in the bill for upgrading and expansion of community and regional correctional facilities in the State of Alaska, and urges passage of the Bill.

CITY OF KODIAK

Caryn L. Floyd
MAYOR

ATTEST:

[Signature]
DEPUTY CITY CLERK

Adopted: March 28, 2002



Cordova Outboard Inc
P O Box 960
Cordova, Alaska 99574-0321

March 26, 2002

The Honorable John Cowdery
Chairman of Transportation Committee
Alaska State Capital
Juneau, Alaska 99801

RE: CARQUEST-Alaska says NO to SB 348

Senator Cowdery,

It has come to our attention that a crash parts bill that could have a negative impact on the independent repair industry has been introduced, SB 348. Although CARQUEST sells hard parts and does some crash parts, we oppose any legislation that removes and restricts competition and increases car parts prices for our consumers.

The American way is to let the market place and consumers make their own decision. Alaska should not be in the business of legislating business to any industry.

We are looking forward to your reply. Thank you.

Sincerely,


Patsy Fisher, Secretary

cc: Senator Jerry Ward
Senator Robin Taylor
Senator Gary Wilken
Senator Kim Elton



Alaska State Legislature

Please enter into the record my testimony to the Senate Judiciary
Committee name

Committee on SB 231, dated 4-15-02

Failure to approve SB 231 will accomplish the following.

1. Continue to pour Millions into another state economy (Embarrassing).
2. Failing to address overcrowding in existing facilities thus continuing to jeopardize the safety of inmates, staff and communities in AK.
3. The ~~at~~ majority of your constituents have voted or voiced numerous times that they do not want a private run prison.

HB 498 is a threat to the state.

Name: *John Kaesten* *thank you*

Mailing: *Box 661
Palmer AK*

Phone #: *99645
746-6198*



Alaska State Legislature

Please enter into the record my testimony to the Senate Judiciary
committee name

Committee on SB 231, dated April 10, 2002
bill # / subject

See 1 page attached

Signed: William R. Parker
Testifier

Self
Representing (optional)

35367 Rabbit Run Rd Soldotna, AK 99669
Address

262-7677
Phone number

I support SB 231.

State correctional facilities are accepted in their local communities so there is more support to expand existing facilities.

Having inmates remain in one location from the time of their arrest until they are released at the end of their sentence saves a bunch of transportation costs.

Inmates are much less likely to reoffend if they are close to family and community. The support they can receive will help them return to society as productive members.

Every inmate who successfully re-enters society and does not re-offend saves the community and the tax payers more than just the costs of courts and incarceration. He or she also saves the community the pain and loss that would have resulted from new criminal activity.

Smaller regional correctional centers are less likely to have gang problems and more able to help individual inmates rehabilitate.

Public correctional centers are interested in rehabilitating inmates and getting them back into society so that they can once again be productive members of that society.

Private prisons are only interested in making a profit for their stockholders. The way they do that is to keep their beds full. There is no incentive to try to help the inmates rehabilitate. More criminals and more crime equal more profit.

The federal government has said that there is no real savings with private prisons. The state still retains all of the liabilities. It does not retain the inmates or control of the costs of incarceration.

Let us expand our existing state facilities.

W. Parker