

**2/24/11**

**PRESENTATION BY  
DEPARTMENT OF  
CORRECTIONS:  
GOOSE CREEK  
CORRECTIONAL  
CENTER**

<TARGET><BILL></BILL><SUBJECT>2-24-11 PRESENTATION BY  
DEPARTMENT OF CORRECTIONS GOOSE CREEK CORRECTIONAL  
CENTER</SUBJECT><COMM>SFIN27</COMM></TARGET>

# Department of Corrections

Presentation on Goose Creek Correctional Center  
Senate Finance Committee  
February 24, 2011

# Goose Creek Correctional Center



# Goose Creek at a Glance

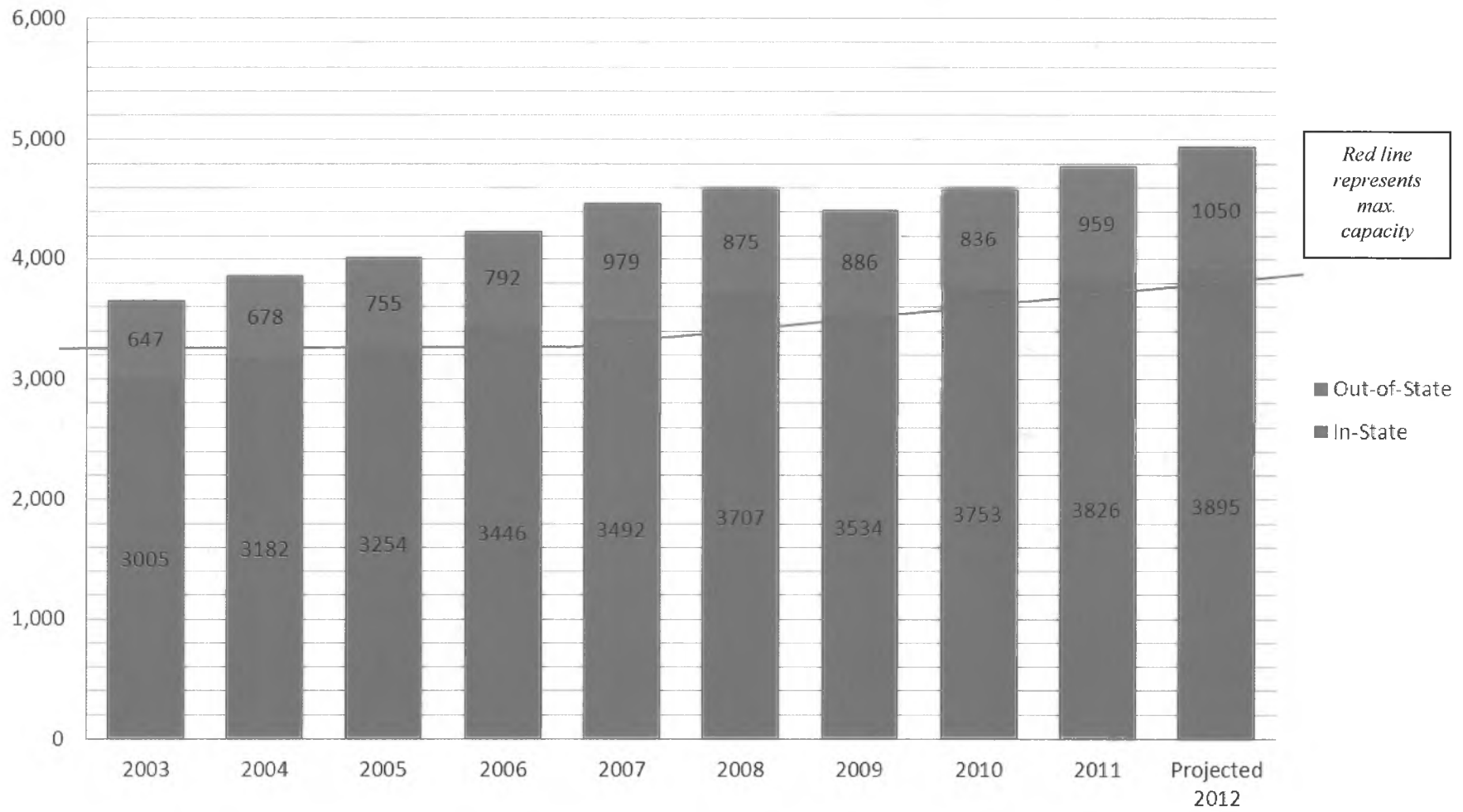
- Consist of five buildings with 435,000 square feet on 150 acres.
- Maximum security-like perimeter.
- Provide 1,536 beds for medium security sentenced inmates.
  - *1,280 General Housing*
  - *128 Special Management Unit*
  - *56 Administrative Segregation*
  - *56 Punitive Segregation*
  - *16 Medical Segregation*
- Employ a staff of up to 345.
- Inmates participate in the everyday responsibilities and operations of the facility (Mail, kitchen, laundry, etc.).
- On-site medical clinic.

# Opening of Goose Creek Correctional Center

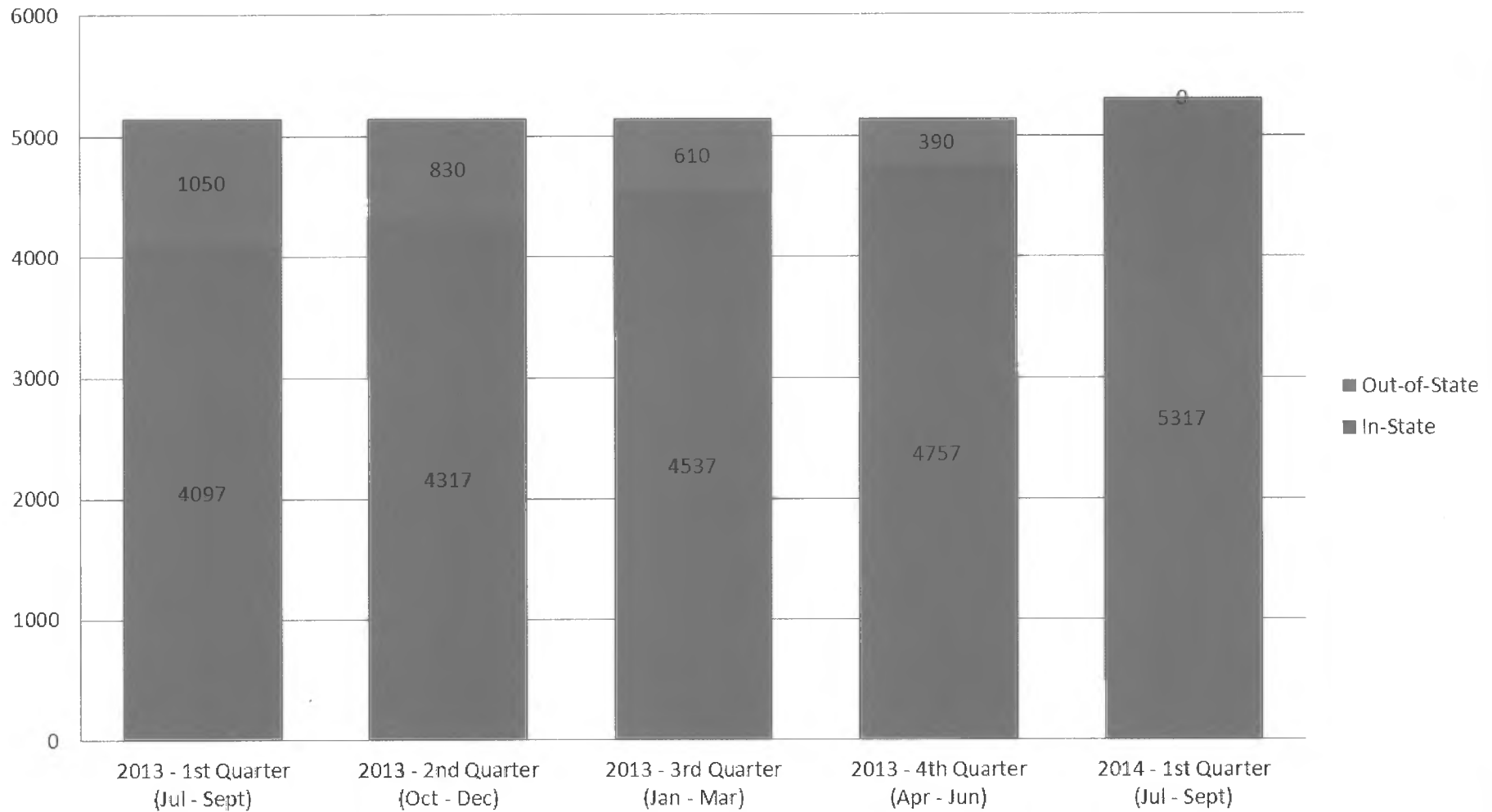
- Ready for occupancy March, 2012 ... the last four months of FY 2012.
- Open with approximately 30 selected prisoners, small staff contingent.
- Prisoners will move from mod-to-mod testing electronic systems, intercoms, doors, run kitchen, laundry.
- Full ramp-up will begin July 1, 2012 – September 30, 2013 (FY13 – FY14). Transfer of prisoners and staff recruitment and training paced over 15 months.
- Experienced department staff will have an opportunity to transfer to Goose Creek Correctional Center (GCCC) when it opens.
- Staff will be recruited and hired to backfill vacancies. Hiring will occur at institutions throughout the state.

# STATEWIDE AVERAGE DAILY INMATE POPULATION LEVELS

## Annual Average Daily Inmate Population



## Projected Inmate Populations for 2013 - 2014



# History of Goose Creek Correctional Center

- February 2003 – SB 65 was introduced.
  - This bill was introduced as a financing mechanism to expand correctional facilities within the state.
  - Mandated local governments to bond for construction of a prison.
    - Fairbanks 80 bed expansion
    - Bethel 120 bed expansion
    - Seward 144 bed expansion
    - Unidentified Region, 1200-2251 bed facility (Mat-Su selected, Goose Creek site selected)
    - Kodiak Community Jail, 6 bed expansion
    - Dillingham Community Jail, 17 bed expansion
- May 2004 – SB 65 passed unanimously.
- July 2004 – Memorandum of Understanding between Mat-Su Borough, Alaska Housing Finance Corp. (AHFC), and Department of Corrections (DOC) with the agreement to develop the prison in the Mat-Su Borough.
- June 2006 – Site selection process began.
  - With a plan to construct a 2,250 bed facility.
  - 800,000 square feet all under one roof.
  - Capable of housing close/max prisoners.
  - Public hearing and open houses were held.
- June 2007 – MOA with AHFC expires, effectively removing AHFC from project involvement.
- June 2007 – The decision was made by DOC to downsize GCCC to 1,536 beds and change the classification level to medium security.
  - To build a 2,250 bed facility was projected to cost \$490M.
  - It would mitigate DOC's ability to spread resources across the state.
  - The largest prisoner population is medium security.

# History of Goose Creek Correctional Center Continued...

- February 2008 – Mat-Su Borough and DOC execute an MOU to plan and finance a prison.
- June 2008 - Mat-Su Borough issues design/build request for proposal (RFP) for the prison.
- August 2008 - Mat-Su Borough published request for qualification (RFQ) to design, build, operate & finance a water/waste water facility for GCCC.
- October 2008 – Deputy AG Tillery issues a legal opinion that CPI for Construction Inflation can be applied for services received during subsequent time period; this does not violate SB65 per bed formula.
- December 2008 – DOC requests \$20 Million for FY10 Capital Budget.

# History of Goose Creek Correctional Center Continued...

- December 2008 - State of Alaska Lease Revenue Bonds sold by Mat-Su Borough provided \$240,073.2 to fund GCCC.
- May 2009 – Mat-Su Borough publishes a RFP for a contract to design, build, operate and finance the water/waste water facility to support GCCC.
- July 2009 – DOC secures \$6M appropriation in FY10 Capital Budget for utilities and infrastructure.
- March 2010 – Valley Utility proposes to finance the water/waste water facility using tax exempt private activity bonds issued by the Mat-Su Borough.
- April 2010 – The State of Alaska Department of Revenue expresses concern about issuing state supported debt that exceeds the authority of SB65.
- April 2010 – DOC formulates a three pronged strategy to reduce the annual fees for the water/waste water facility. (detail of strategy on next slide)

# Three Pronged Strategy

1.) Value Engineering of the water and waste water facility. These efforts have resulted in cost reductions of approximately \$2,000,000.

2.) Use of alternative funding sources. The DOC and Valley Utilities agreed to break the project into four segments. One of the segments was funded by DOC from existing appropriations; one segment was incorporated into the prison itself and funded from surplus proceeds from Mat-Su Borough's prison bonds; a third segment from Valley Utilities equity contributions; leaving only the wastewater treatment plant to be financed. The amount financed will be about ½ of the original estimate.

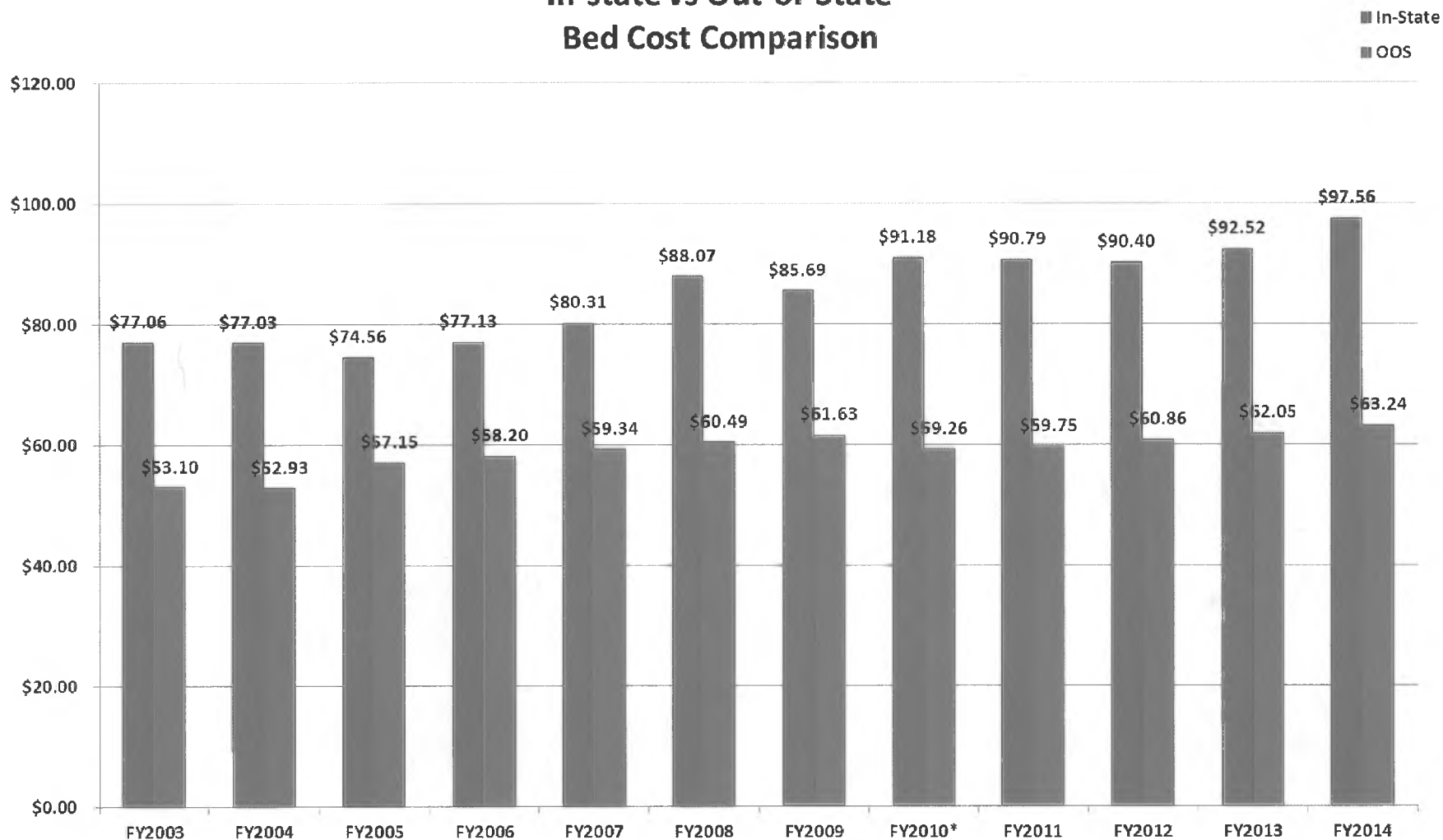
Segment	Pay Estimate Schedule Costs	Funding Source
Pipeline	\$1,693,477.00	DOC Existing Approp. FY10 GF
Water	\$5,109,130.28	GCCC Bonds
Well Field	\$1,447,842.04	Valley Utilities Equity Contributions
Waste Water	\$14,264,367.58	AIDEA

3.) Seek alternative funding sources to reduce cost of debt service. In addition to the private placement of the sale, several alternatives were evaluated including direct appropriation.

# History of Goose Creek Correctional Center Continued...

- April 2010 – GCCC Project Committee authorized the use of up to \$5,400,000 in GCCC contingency fund for construction of the water/waste water treatment plant.
- October 2010 – Valley Utilities requested permission to proceed with the private placement bond sale at a total interest cost between 8-9%. DOC rejected this proposal and began exploring financing alternatives through Department of Environmental Conservation and ultimately AIDEA in an effort to reduce the State's future debt services component of operating costs.
- December 2010 – AIDEA Board approved financing.
- December 2010 – AIDEA sold AA-rated bonds publically that achieved a total interest rate of 5.13%. The bonds are supported by a general obligation pledge of AIDEA rather than the State's credit. By acting expeditiously, AIDEA achieved an interest rate that is approximately 1 to 1.5% lower than it would be in the market of late-January 2011.

## Department of Corrections In-state vs Out-of-State Bed Cost Comparison



# BONDING & FINANCES

# Net Present Value – Qualification and Assumptions

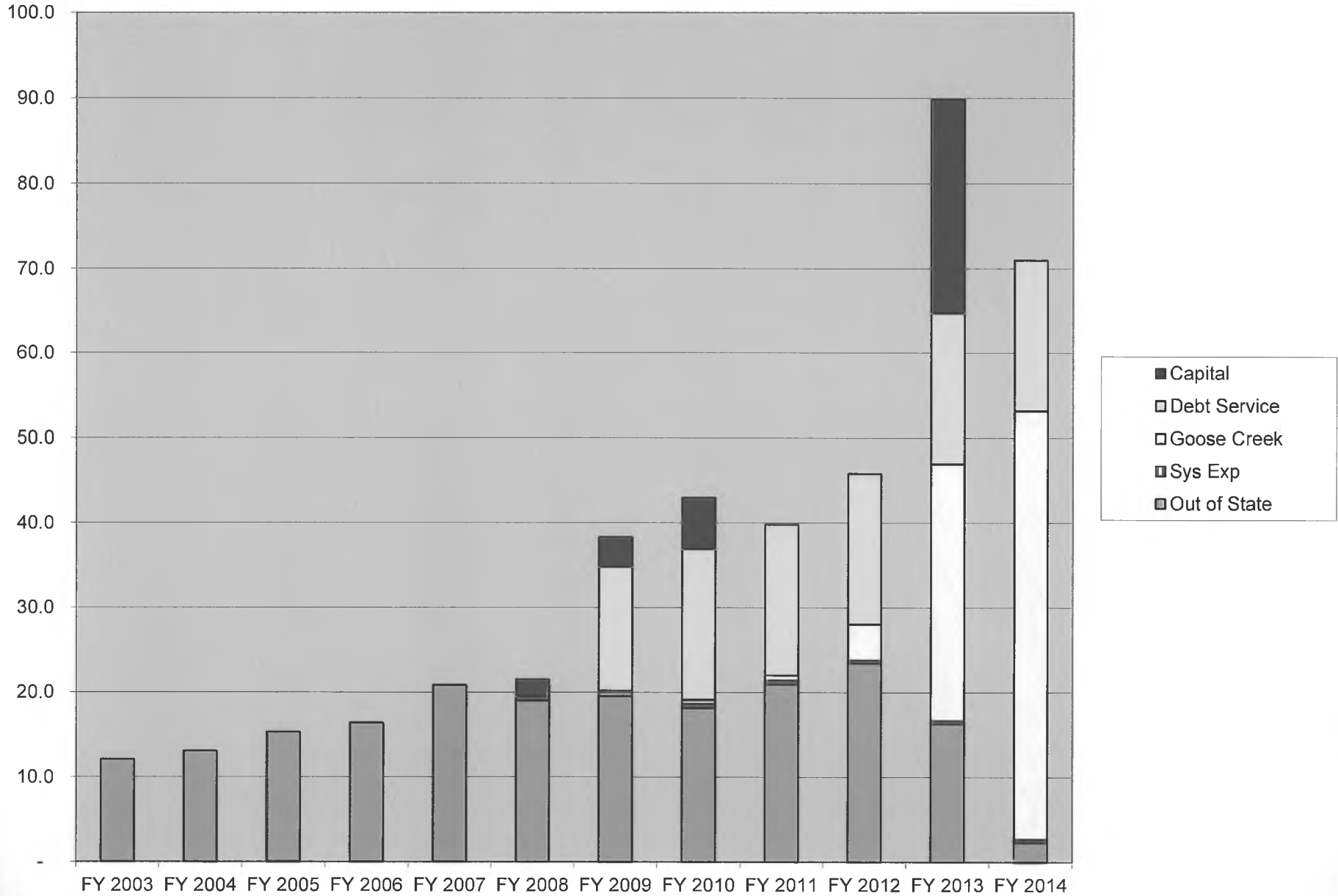
- Rate of returns for FY 2011 – 2014 are assumed to be 3%.
- Assumes capital funding was used in full the year of appropriation.
- NPV – cost of out-of-state (OOS) is estimated in order to calculate; however, the DOC will revisit it's population management plan if OOS is used for FY 2012 – 2014. Assumes population for OOS will remain at 1,050 as it is uncertain what DOC will have to do in order to house inmates in excess of 1,050.
- State will continue all bond payments.
- Assumes no additional changes to OOS contract.
- This is subject to change in the event the population management plan changes or there are significant changes to the prison inmate population.
- For NPV calculation, assumes that if GCCC is not opened, OOS inmate population will continue to increase. DOC will revisit it's population management plan.

## Operating and Capital Expenditures DOC Costs – GCCC Phase-in

DESCRIPTION	Amounts (In Millions)											
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
<b>Operating</b>												
Dept of Admin - Debt Service	-	-	-	-	-	-	14.6	17.8	17.8	17.8	17.8	17.8
Dept of Corrections - Out of State	12.1	13.1	15.3	16.4	20.8	19.0	19.5	18.1	20.9	23.4	16.3	2.3
Dept of Corrections - System Expansion	-	-	-	-	-	0.5	0.7	0.5	0.5	0.4	0.4	0.4
Dept of Corrections - Goose Creek	-	-	-	-	-	-	-	0.5	0.6	4.2	30.2	50.5
<b>TOTAL OPERATING</b>	<b>12.1</b>	<b>13.1</b>	<b>15.3</b>	<b>16.4</b>	<b>20.8</b>	<b>19.5</b>	<b>34.8</b>	<b>36.9</b>	<b>39.8</b>	<b>45.8</b>	<b>64.7</b>	<b>71.0</b>
<b>Capital</b>												
Future Capital Requests	-	-	-	-	-	-	-	-	-	-	25.2	-
Chap 15 SLA 2009	-	-	-	-	-	-	-	6.0	-	-	-	-
Chap 11 SLA 2008	-	-	-	-	-	-	2.5	-	-	-	-	-
Chap 29 SLA 2008	-	-	-	-	-	-	1.0	-	-	-	-	-
Chap 30 SLA 2007	-	-	-	-	-	2.0	-	-	-	-	-	-
<b>TOTAL CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.0</b>	<b>3.5</b>	<b>6.0</b>	<b>-</b>	<b>-</b>	<b>25.2</b>	<b>-</b>
<b>ANNUAL TOTAL</b>	<b>12.1</b>	<b>13.1</b>	<b>15.3</b>	<b>16.4</b>	<b>20.8</b>	<b>21.5</b>	<b>38.3</b>	<b>42.9</b>	<b>39.8</b>	<b>45.8</b>	<b>89.9</b>	<b>71.0</b>

*\* Costs for FY13 – FY14 are subject to change based on prison population management plan.*

# Operating and Capital Expenditures DOC Costs – GCCC Phase-in *Dollars in Millions*



# Net Present Value (NPV)

Comparison of GCCC Phase-in vs. Continuation of Out-of-State

- NPV of GCCC phase-in = \$317.0
- NPV of Out-of-State = \$177.3

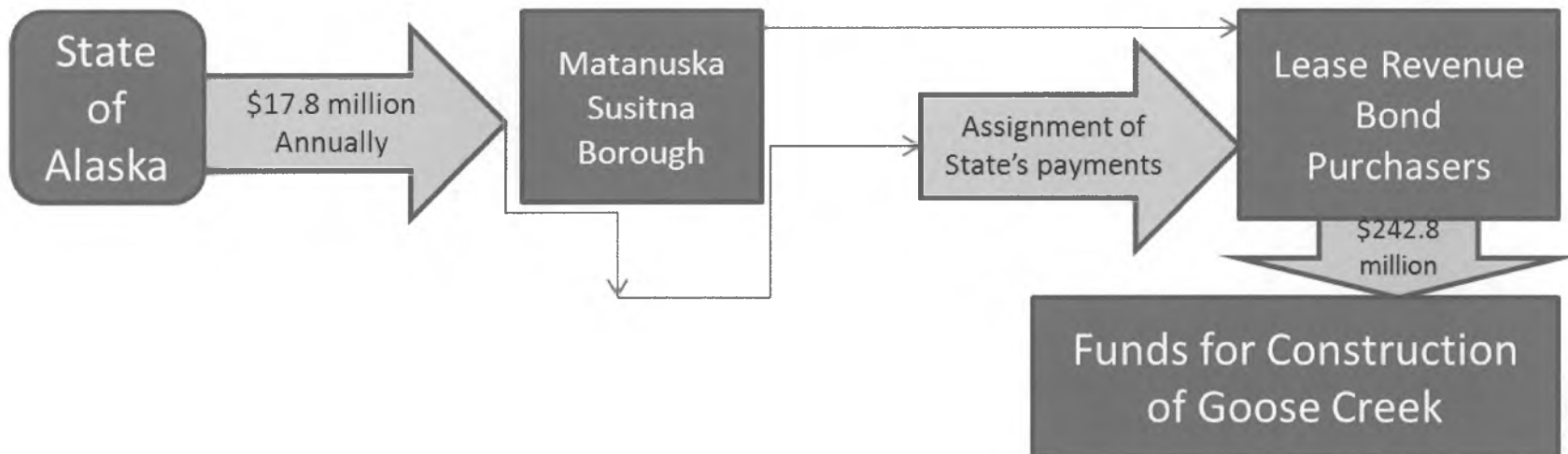
*Timeframe comparison is FY03 – FY14.*

# 2008 Matanuska-Susitna Borough Goose Creek Bonds Security and Legal Structure

- Lease purchase agreement and ground lease executed in which the State leases the facility from the Borough in exchange for annual lease payments and “additional rent” equal to debt service on the bonds plus operations and maintenance costs
  - State will own the facility once the bonds are retired and lease agreement terminated
  - The Land on which the facility is constructed is currently owned by the Borough
- Right to receive lease payments assigned to trustee who acts on behalf on bond purchasers
  - State pays appropriated funds directly to the trustee five days prior to each payment date
- Lease agreement represents an absolute net lease/triple net lease in which the State is responsible for all rent payments, additional rent and operations and maintenance
- Funds for repayment of bonds are appropriated annually by the Legislature - principal payments made to the State are structured semi-annually
- Agreements are subject to early termination due to an event of non-appropriation or event of default
  - Should the Legislature fail to appropriate funds, the State may vacate the facility and be released of its obligations to make all future payments. The trustee would pursue remedies under the lease agreement including attempting to re-let the property. The State’s credit rating would be downgraded

# Financing Structure

- Par amount of \$244.3 million of Lease Revenue Bonds priced December 19, 2008
- Twenty-five year level debt service with a final maturity in FY 2033
  - Annual lease payment approximately \$17.8 million per year
- All in TIC 5.955391%
- Cost of issuance \$400,000, underwriting cost \$1,172,847.70 (\$4.80 per bond), cost of bond insurance \$1,105,431.27, net original issue discount \$1,533,570.95, resulting in project fund deposit of \$240,073,150.08
- Yields 35 to 100 basis points over Municipal Market Data Aaa scale of 12/19/2010
- Standard 10-year call feature



# GCCC Future Financials...

- Serviceable life of the prison is 50-75 years
- The Mat-Su Borough owns the asset and the land until the last payment is made by DOC on the 25 year bonds at which time the asset and land is transferred to DOC
- DOC will assume control of the asset when Construction is complete—between August and December of 2011

Thank you!

SB 65  
AN ACT

1 Relating to the qualifications of correctional officers, parole officers, and probation officers;  
2 authorizing the Department of Corrections to enter into lease-purchase agreements with  
3 municipalities for new or expanded public correctional facilities in the Fairbanks North Star  
4 Borough, the Matanuska-Susitna Borough, Bethel, the Municipality of Anchorage, and the  
5 City of Seward; relating to the development and financing of privately operated correctional  
6 facility space and services; authorizing the Department of Corrections to enter into a lease-  
7 purchase agreement with the City of Whittier for the confinement and care of prisoners in  
8 privately operated correctional facility space if the state cannot provide the same level of  
9 services required in state law or regulation for the same or less cost; giving notice of and  
10 approving, and authorizing the entry into and issuance of certificates of participation for, the  
11 upgrade, expansion, and replacement of certain jails in Dillingham and Kodiak; and providing

1 for an effective date.

2  
3 \* **Section 1.** AS 18.65.290(2) is amended to read:

4 (2) "correctional officer" means a person

5 (A) appointed by the commissioner of corrections whose  
6 primary duty under AS 33.30 is to provide custody, care, security, control, and  
7 discipline of persons charged or convicted of offenses against the state or held  
8 under authority of state law; or

9 (B) employed in a correctional facility in this state whose  
10 primary duty is to provide custody, care, security, control, and discipline  
11 of persons charged or convicted of offenses or held under authority of law;

12 \* **Sec. 2.** AS 18.65.290(5) is amended to read:

13 (5) "parole officer" means a person appointed by the commissioner of  
14 corrections or employed by a correctional facility in this state to perform the duties  
15 of supervising the parole of prisoners under AS 33.16;

16 \* **Sec. 3.** AS 18.65.290(7) is amended to read:

17 (7) "probation officer" means a person appointed by the commissioner  
18 of corrections or employed by a correctional facility in this state to perform the  
19 duties of a probation officer under AS 33.05.

20 \* **Sec. 4.** AS 18.65.290 is amended by adding a new paragraph to read:

21 (8) "correctional facility" means a prison or jail owned, leased, or  
22 operated by the state that is designated by the commissioner of corrections for the  
23 custody, care, security, control, and discipline of prisoners.

24 \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
25 read:

26 AUTHORIZATION TO LEASE CORRECTIONAL FACILITY SPACE WITH  
27 MUNICIPALITIES. (a) To relieve overcrowding of existing correctional facilities in the  
28 state and the extensive use of out-of-state correctional facilities, the Department of  
29 Corrections, not later than July 1, 2009, may enter into lease-purchase agreements with the  
30 following municipalities for new or expanded correctional facilities:

- 1 (1) Fairbanks North Star Borough - expansion of existing facility by up to 80  
2 beds;
- 3 (2) Matanuska-Susitna Borough - construction of new facility with a minimum  
4 of 1,200 beds up to a maximum of 2,251 beds;
- 5 (3) Bethel - expansion of existing facility by up to 120 beds;
- 6 (4) Municipality of Anchorage - expansion of Anchorage Jail by up to 200  
7 beds;
- 8 (5) City of Seward - expansion of existing Spring Creek Correctional Center  
9 by up to 144 beds.
- 10 (b) The authorizations given by (a) of this section are subject to the following  
11 conditions:
- 12 (1) the average capital cost for all beds may not exceed \$135,000 a bed for  
13 (a)(1), (2), (4), and (5) of this section and \$155,000 a bed for (a)(3) of this section, adjusted  
14 for inflation each year at a rate equal to the percentage increase in the Consumer Price Index  
15 for urban wage earners and clerical workers for Anchorage, Alaska, during the previous  
16 calendar year as determined by the Bureau of Labor Statistics, United States Department of  
17 Labor;
- 18 (2) if construction of a new facility is authorized, the municipality shall  
19 initially own the facility, and the state may enter into a long-term lease-purchase agreement  
20 not to exceed 25 years with the municipality to operate the facility and the state to own the  
21 facility at the end of the lease term; the annual lease payment for a new facility may not  
22 exceed \$11,600 a bed;
- 23 (3) if expansion of an existing facility is authorized, the state shall enter into a  
24 joint ownership agreement with the municipality of the expanded facility, enter into a long-  
25 term lease-purchase agreement not to exceed 25 years of the municipality's interest in the  
26 facility, and operate the facility and own the facility at the end of the term of the agreement;  
27 payments under the lease-purchase agreement may not exceed \$16,700 a bed for the Bethel  
28 facility and \$14,600 a bed for the Fairbanks, Anchorage, and Seward facilities;
- 29 (4) the agreement to lease-purchase must contain terms providing that the  
30 commissioner of corrections may terminate for cause any contract for operating the facility;
- 31 (5) the commissioner may not enter into an agreement under (a) of this section

1 if any bonds issued for projects under (a) of this section are rated below investment grade.

2 (c) The authorization given by (a)(4) of this section is subject to the following  
3 condition: expansion of the facility may only occur if the expansion is funded by up to  
4 \$30,000,000 in federal receipts.

5 \* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to  
6 read:

7 **AUTHORIZATION TO CONTRACT FOR CORRECTIONAL FACILITY SPACE**  
8 **AND SERVICES WITH THIRD-PARTY CONTRACTOR FOR OPERATION.** (a) To  
9 relieve overcrowding of existing correctional facilities in the state and the extensive use of  
10 out-of-state facilities, the Department of Corrections, not later than July 1, 2007, is authorized  
11 to enter into a lease-purchase agreement with the City of Whittier for the purpose of acquiring  
12 correctional facility space for a term not to exceed 25 years and services for contractual  
13 periods of not greater than five years for persons who are committed to the custody of the  
14 commissioner of corrections. Before entering into an initial contract for correctional space or  
15 services with the City of Whittier under this section, the Departments of Corrections and  
16 Administration shall first contract with an independent entity to conduct a feasibility study to  
17 determine whether the state can provide the same level of services required in state law or  
18 regulation for the same or less cost than a third-party operator. An agreement may be entered  
19 into under this section only if the feasibility study determines that the state cannot provide the  
20 same level of services required in state law or regulation for the same or less cost in a facility  
21 of the same capacity.

22 (b) The lease-purchase agreement entered into under this section is predicated on and  
23 must provide for an agreement between the City of Whittier and one or more private third-  
24 party contractors under which private, for profit or nonprofit third-party contractors construct  
25 and operate the facility by providing for custody, care, and discipline services for persons  
26 committed to the custody of the commissioner of corrections under authority of state law.  
27 The state shall own the facility at the end of the term of the lease-purchase agreement. In an  
28 agreement with the City of Whittier, the commissioner of corrections shall require that the  
29 city procure one or more private third-party operators through a competitive bid process. The  
30 City of Whittier shall follow state procurement procedures for procurement of land, design,  
31 construction, and operation of a facility. The commissioner of corrections shall approve the

1 facility design before entering into an agreement.

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

4 (1) the agreement must cover a minimum of 1,200 beds and a maximum of  
5 2,251 prison beds, and, subject to (2) of this subsection, the payments by the Department of  
6 Corrections must be sufficient to cover all capital and operating costs, not including inmate  
7 transportation, based on per diem operating charges for a minimum 1,200 prison beds;

8 (2) the agreement must provide that the obligation of the Department of  
9 Corrections to make payments under the agreement is subject to annual appropriation of funds  
10 by the legislature;

11 (3) the agreement must contain terms providing that the commissioner of  
12 corrections may direct the City of Whittier, after notice and reasonable opportunity to cure, to  
13 terminate its contract with a private third-party contractor operating the facility in accordance  
14 with the provisions of (b) of this section, and to procure a replacement third-party contractor  
15 if the commissioner finds that the private third-party contractor has failed to provide or cause  
16 to be provided the degree of custody, care, and discipline required by terms of the agreement  
17 and that the private third-party contractor has been given notice and reasonable opportunity to  
18 cure as provided in the third-party contractor's agreement with the city;

19 (4) the commissioner's authority to enter into the agreement is subject to the  
20 condition that the contract between the City of Whittier and the operator requires the operator  
21 to provide culturally relevant reformation services to incarcerated Alaska Natives;

22 (5) the commissioner may not enter into the agreement if any bonds issued for  
23 the project are rated below investment grade.

24 (d) Nothing in this section is intended to prevent the City of Whittier from issuing  
25 bonds as permitted for municipalities under state law, including AS 29.47.390, to finance  
26 construction of the facility. The bonds may be secured by and payable from revenues of the  
27 facility, including those described in (c) of this section. Revenues of the facility are not  
28 revenues of the City of Whittier for purposes of AS 29.47.390.

29 \* Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to  
30 read:

31 NOTICE OF THE ISSUANCE OF CERTIFICATES OF PARTICIPATION AND

1 OTHER FINANCING. (a) The state bond committee is authorized to provide for the  
2 issuance of certificates of participation in one or more series in the aggregate principal  
3 amount of \$4,000,000, plus costs of required reserves and costs of issuance, to pay for the  
4 costs for expansion of municipal jails described in sec. 8 of this Act. The estimated total cost  
5 of construction, acquisition, and equipping the projects is \$4,000,000, which shall be paid  
6 from the proceeds of the certificates of participation issued under this section. The estimated  
7 aggregate annual amount of rental obligations under the lease-financing agreements is  
8 \$400,000. The total payments for the full term of the certificates of participation are  
9 estimated to be \$6,000,000. In this subsection, "cost of construction" includes credit  
10 enhancement and underwriting expenses, rating agency fees, bond counsel fees, financial  
11 advisor fees, printing fees, trustee fees, advertising fees, capitalized interest, interest earnings  
12 used for lease payments, and other costs of issuance, and costs of required reserves.

13 (b) The state bond committee may contract for credit enhancement, underwriting,  
14 credit ratings, bond counsel, financial advisor, printing, advertising fees, and trustee services  
15 that the committee considers necessary in financing the projects described in sec. 8 of this  
16 Act.

17 (c) The state bond committee may not authorize the issuance of certificates of  
18 participation as provided in (a) of this section if the issuance lowers the state's credit and the  
19 certificates are rated below investment grade.

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

22 MUNICIPAL JAIL FACILITIES. (a) Each of the following projects is approved to  
23 receive \$2,000,000 of the proceeds of the certificates of participation authorized under sec. 7  
24 of this Act, on condition that the municipality in which the project is located contributes a  
25 matching share of at least \$1,500,000, to be used for the upgrade, expansion, or replacement  
26 of the jail facilities:

27 (1) Dillingham Community Jail in the Municipality of Dillingham to replace  
28 the existing eight-bed facility with a new 25-bed facility;

29 (2) Kodiak Community Jail in the Municipality of Kodiak to replace the  
30 existing 16-bed facility with a new 22-bed facility.

31 (b) Subject to appropriation, the Department of Corrections is authorized to pay the

1 annual operating costs associated with the addition of new beds at the municipal jail facilities  
2 to the municipalities listed in (a) of this section. The anticipated annual operating costs for  
3 the new beds authorized in (a) of this section are:

4 (1) Dillingham Community Jail - \$750,000 (17 new beds);

5 (2) Kodiak Community Jail - \$188,000 (six new beds).

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

8 APPROVAL. This Act constitutes the notice and approval of the projects described in  
9 secs. 5 - 8 of this Act required by AS 36.30.085.

10 \* **Sec. 10.** Sections 1 - 3, ch. 32, SLA 2001, are repealed.

11 \* **Sec. 11.** This Act takes effect July 1, 2004.

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: CSSB 65(FIN)  
(S) Publish Date: 5/1/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Corrections  
Title: Correctional Facility Expansion RDU: Administration & Operations  
Component: \_\_\_\_\_  
Sponsor: Senator Green Component No: \_\_\_\_\_  
Requester: \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	235.0	243.2	3,052.2	14,448.3	23,703.9	24,438.5
Travel	7.0	8.0	154.7	235.8	315.8	315.8
Contractual	5.0	5.0	1,960.1	976.5	(12.1)	(12.1)
Supplies	6.0	7.0	1,382.6	2,939.7	4,495.3	4,495.3
Equipment	7.0	0.0	34.0	34.0	34.0	34.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	154.6	511.6	868.5	868.5
Miscellaneous	0.0	0.0	4,005.0	16,703.0	14,177.0	14,177.0
<b>TOTAL OPERATING</b>	<b>260.0</b>	<b>263.2</b>	<b>10,743.2</b>	<b>35,848.9</b>	<b>43,582.4</b>	<b>44,317.0</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	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	260.0	263.2	10,743.2	35,848.9	43,582.4	44,317.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>260.0</b>	<b>263.2</b>	<b>10,743.2</b>	<b>35,848.9</b>	<b>43,582.4</b>	<b>44,317.0</b>

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time	3	3	43	327	327	327
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

This bill authorizes the Department of Corrections to enter into twenty-five year lease agreements with the Fairbanks North Star Borough, Matanuska-Susitna Borough, Bethel, Municipality of Anchorage, and the City of Seward for up to a total of 1,744 beds at state correctional facilities and a new state correctional facility.

The above contractual line has been reduced by the current cost of the Out of State Contract. The \$43,582,400 increased annual costs of incarceration and lease payments can be further offset by moving any remaining prisoners housed at the out of state contract facility (Florence Correctional Center) back to Alaska and housing them in the new beds created by this bill. Assuming that in FY09, 500 additional prisoners, at \$70.00 per day x 365 days = \$12,775,000 of savings that can be applied to the cost of new beds. **The FY2009 estimated annual net cost of these projects is \$30,807,400.**

(continued on page 2 of 2).

Prepared by: Jerry D. Burnett, Director Phone: (907) 465-3339  
Division: Administrative Services Date/Time: 4/29/04 3:13 PM  
Approved by: Portia C. K. Parker, Deputy Commissioner Date: 4/29/2004  
Agency: Department of Corrections

FISCAL NOTE #2

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CSSB 65(FIN)

**ANALYSIS CONTINUATION**

Assume that the local government agencies will fund the costs of the new or expanded correctional facilities construction through local/AIDEA bond sales backed by the state leases. Costs of construction for Fairbanks, Anchorage, Seward, and Mat-Su facilities not to exceed \$135,000 per bed. Annual lease payments not to exceed \$14,600 per bed for Fairbanks, Anchorage, and Seward and not to exceed \$11,600 for Mat-Su. The Bethel facility costs of construction are not to exceed \$155,000 per bed and annual lease costs payments not to exceed \$16,700.

DOC will require three project management positions during the planning and construction phase.

Annual Lease Costs, by Facility (shown in miscellaneous line):

Fairbanks Correctional Center: 80 new beds = \$1,076,000

Matanuska-Susitna Borough: 1,200 new beds = \$10,172,000

*\*Matanuska-Susitna Borough alternate option of 2,251 new beds = \$15,261,200*

Spring Creek Correctional Center: 144 beds = \$1,076,000

Yukon-Kuskokwim Correction Center: 120 beds = \$1,853,000

Anchorage Jail: no lease payment (if appropriated, federal funds used for construction)

Dillingham Community Jail expansion of 17 beds = \$149,100

Kodiak Community Jail expansion of 6 beds = \$149,100

Additionally, security and life/safety staff and institutional staffing necessary to support the 1,744 new prisoner beds in Alaska is based on about 5 prisoners per 1 staff. Thus, 327 new staff will be needed to support these additional prisoner beds statewide.

The bill provides for federal receipt authority for up to \$30,000,000. The authorization to expand the Anchorage Jail facility by 200 beds may only occur if federal funds are received and the Alaska State Legislature appropriates the funds.

For the purposes of this fiscal note, it is assumed that a private option would only be built if less costly than the public option. It is also assumed that the 2251 bed facility would be built only if operating costs reduced from other facilities would allow for the option to be built without total departmental costs exceeding the 1200 bed option.

End.