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HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

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House Bill 246

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Judiciary Committee
Subcommittee on Crime and Corrections
Capitol Annex
Room 22
Harrisburg, PA

Thursday, April 25, 1996 - 9:35 a.m.

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BEFORE:

Honorable Jerry Birmelin, Acting Chairman
Honorable Al Masland
Honorable Stephen Maitland
Honorable Peter Daley
Honorable Harold James

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ALSO PRESENT:

Brian Preski, Esquire
Chief Counsel for Committee

Pat Rhoads
Administrative Assistant

James Mann
Majority Research Analyst

C O N T E N T S

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1 ACTING CHAIRMAN BIRMELIN: Good
2 morning. We want to reconvene the meeting that
3 we recessed yesterday, the House Judiciary
4 Subcommittee on Crime and Corrections, and we
5 have three people who are going to be testifying
6 here with us this morning, and before we call on
7 our first testifier, I would like to introduce
8 the Members of the Committee that are here this
9 morning. To my far left is Representative Al
10 Masland from Cumberland County and next to him
11 is our staff person, Jim Mann, who you have seen
12 yesterday, and sitting to my right is
13 Representative Maitland from Adams County.
14 Obviously, coming from an area where he comes
15 from, I would like to have one of them.

16 We welcome you here this morning. Our
17 first testifier is Mr. Martin Horn who is
18 Secretary of the Department of Corrections in
19 Pennsylvania.

20 Mr. Horn, welcome to our Subcommittee
21 meeting.

22 MR. HORN: Thank you.

23 ACTING CHAIRMAN BIRMELIN: I will
24 indicate to the other testifiers the information
25 that you have will be shared with all other

1 Members of the House Judiciary Committee, of
2 course, who are not here this morning but are
3 interested in the subject. You may begin.

4 MR. HORN: Thank you, Mr. Chairman. I
5 don't have any prepared testimony. I have a few
6 brief introductory comments and then I thought I
7 could entertain whatever questions you have and
8 we can engage in a give and take. I suspect
9 this is an issue that will require much
10 conversation among many of us in the months to
11 come.

12 The subject of what is called
13 privatization, I think, suffers, first of all,
14 from a misnomer. I don't think that you could
15 ever privatize, so to speak, the state's
16 responsibility, to provide for the custody and
17 control of individuals convicted of crime and
18 committed to a term of imprisonment; that
19 remains a core function of government.

20 The question, however, I think is more
21 appropriately raised, can the facilities that
22 house those individuals in the custody of the
23 state be operated by private entities rather
24 than by government?

25 The conclusion that I have come to,

1 after several years of study and very intensive
2 study and examination in the last several
3 months, by myself and my staff, interviews with
4 several of the large private corrections
5 providers in this country, reviews of
6 information they have submitted to us in
7 response to a request for information, is that
8 there is no op. priory reason why there cannot
9 be private operation of correctional
10 institutions. Government still will retain the
11 responsibility, government will still retain the
12 authority and government cannot escape its own
13 liability, but its liability is not necessarily
14 increased by private operation. And the fact is
15 that in many jurisdictions today, county, state
16 and federal correctional institutions, custodial
17 facilities, are operated by private entities.
18 Those entities are responsible, those entities
19 are solvent and those entities do a good job.

20 Having said that, I also think that
21 it's important to realize that I carry no
22 particular brief for private operators of
23 prisons. And I also believe that the men and
24 women who work in Pennsylvania's correctional
25 institutions are some of the finest public

1 servants that I have ever met, they do a superb
2 job. And just as in any other organization
3 where you have 11,000 people, you have a range
4 of performance. You have some very excellent
5 performers, you have some mediocre performers
6 and you have some poor performers and that is as
7 true in the public sector as it in the private
8 sector.

9 I think the issue for me has come down
10 to the question of whether we can provide the
11 service that it is government's obligation to
12 provide; that is, custodial confinement, in a
13 more effective and more efficient and less
14 costly way to the taxpayer. The budget that we
15 have requested of the Legislature in the coming
16 year is in the neighborhood of \$920 million. It
17 represents an increase in our budget requests in
18 total dollars of \$80 million. That is a large
19 piece of change and I believe we have an
20 obligation, every day, in everything that we do,
21 to continually ask the question, can we deliver
22 this service to the taxpayers for less money?
23 And that becomes the question, without
24 compromising safety, without compromising the
25 efficacy of what we do. And I think that the

1 question, therefore, has to be judged on that
2 basis.

3 In the Corrections Department in
4 Pennsylvania, we view -- we see an opportunity
5 coming down the road. It is not my desire to
6 replace existing correctional employees, but an
7 opportunity presents itself when we open a new
8 prison, as we will be doing at Chester a year
9 from this June, hopefully, if construction
10 precedes the pace. It is an opportunity to open
11 that prison either with state employees or with
12 a private operator, without displacing current
13 employees. It is an opportunity over a period
14 of time to assess the ability of those private
15 operators and to compare the work that they do
16 to the work that we do, in very comparable
17 settings, and to make judgments about how we
18 should approach future prison openings in this
19 Commonwealth. And in doing so, I don't think it
20 takes anything away from our current employees.

21 As I see it, the state would continue
22 to -- the state owns the facility, the state has
23 built the facility, the inmates would be
24 committed to my custody, and the operator of
25 that prison would be responsible to me, as the

1 commissioner or whoever was the commissioner, to
2 operate that prison in accordance with the
3 policies and procedures of the Department. They
4 would not be free to go beyond that. Many
5 states have, by statute, controlled everything
6 from operating procedures to the use of force.
7 It can be done, it is being done, and the issue
8 really comes down to one of really political
9 preference and cost.

10 Having said that, I would be happy to
11 discuss anything that you care to about this
12 issue, whether it be with respect to House Bill
13 246 or the issue of private operation of prisons
14 generally.

15 ACTING CHAIRMAN BIRMELIN: Thank you,
16 Mr. Horn. We are joined by the Chairman of the
17 Subcommittee on Democratic side, Representative
18 Harold James from Philadelphia.

19 REP. JAMES: Thank you, Mr. Chairman.

20 ACTING CHAIRMAN BIRMELIN: Mr. Masland,
21 do you have any questions for Mr. Horn?

22 REP. MASLAND: Yes, I do. I have a few
23 here. Just really to pick up on some of the
24 comments that we had yesterday. Starting off
25 with the cost. Based on your statement and

1 based on everything we have heard, this effort
2 to privatize -- if we can use that even if it is
3 a misnomer --

4 MR. HORN: Sure, shorthand.

5 REP. MASLAND: -- it is not at all
6 based on a public safety issue, it is not a
7 question of the Department of Corrections not
8 being able to house the people safely in terms
9 of being able to keep them separate from the
10 public for either retribution purposes or
11 deterrents or for rehabilitation. It is not a
12 question of that. It all comes down really to a
13 question of cost.

14 MR. HORN: For me it does, yes. There
15 is no question. We have built and designed the
16 facility. The security of the facility is to
17 our design and our specifications. And any
18 operator, if we were to choose -- and let me
19 reiterate, we have made no decision -- but if we
20 were to choose, any operator would have to
21 operate in a way that satisfied the Secretary of
22 Corrections that it was safe, and I think that
23 would be true. Ultimately, the Governor, the
24 Legislature, the voters, the press will hold the
25 Secretary of Corrections responsible and there

1 is no way to avoid that. I think it comes down
2 to, can they do it cheaper?

3 REP. MASLAND: Before we look at the
4 broad picture again, in terms of an institution
5 itself being completely run by a private entity,
6 there is obviously the interim step of having
7 various services privatized and to a certain
8 extent that is going on already. Maybe you
9 could share with us some of the steps that your
10 Department has taken, either with respect to
11 medical services or other services.

12 MR. HORN: Sure.

13 REP. MASLAND: The things within the
14 institution --

15 MR. HORN: Right.

16 REP. MASLAND: -- that you felt you
17 could privatize, and had, and what the results
18 have been.

19 MR. HORN: Right. Well, there is a
20 history of private operation of aspects of
21 prison management that goes back in this
22 Commonwealth for a very long time. Beginning
23 back in the '70s, early '70s, with private
24 operation of half-way houses, those inmates are
25 still within the custody of the state, they are

1 the responsibility of the Secretary of
2 Corrections, they are inmates under the law and
3 yet we have contracted out with private
4 providers, everybody from the Volunteers of
5 America to Atkins House in York to Capital
6 Pavilion and Allkiski out in Allegheny County,
7 to house and feed those inmates for us. So
8 that's been going on. For many years before I
9 came here, the state has contracted out in
10 medical services and in various forms. At one
11 time the entire medical services, everything,
12 including nursing, was provided to the
13 Commonwealth under contract and it actually
14 began because the Commonwealth was having
15 difficulty recruiting nursing staff.

16 Currently, in the Commonwealth, the
17 Corrections Department contracts out for medical
18 services, which means the services of
19 physicians, specialists, hospitalization,
20 pharmacy services, but the nurses, the medical
21 record specialists and the dentists are
22 employees of the Commonwealth. Many of the
23 counties around the Commonwealth currently
24 contract out for a variety of services.

25 In Bucks County, the commissary

1 operation is operated for them by the Canteen
2 Corporation; private operator. Their food
3 services are provided by a private operator.
4 Their medical services are provided by a private
5 operator. I was at the New Curran Fromhold
6 facility in Philadelphia yesterday. Their food
7 is prepared for them by private employees of the
8 Aramark (phonetic) Corporation. Their medical
9 services are provided to them under contract by
10 Hahnemann Medical Center. Most of the counties
11 have some form of private operation either in
12 the food service or the medical service area and
13 it works quite well. So it is nothing new.

14 With the management of any contract,
15 there are always going to be issues between the
16 contractor and the contractee: there are going
17 to be payment issues, there are going to be
18 auditing issues in dispute, there are going to
19 be performance issues; and those are things that
20 get resolved in the context of contractual
21 negotiation, or, if they are contractual
22 violations, you deal with it in the courts of
23 the contract and you always have the option of
24 terminating the contract.

25 Our contracts are time defined. We are

1 in the process now. We have rebid the contract
2 for the central region of the state for medical
3 services. And those are the facilities, such as
4 Camp Hill, Houtzdale, Cresson, Huntington,
5 Rockview, Smithfield and so on, about 8
6 facilities serving about 12,000 inmates. And we
7 have received bids to provide medical services
8 from a variety of providers and we are in the
9 process of evaluating those bids. We have asked
10 each of the vendors as a part of their bid to
11 tell us what it would cost to provide the
12 services as they are presently configured; that
13 is, without nursing service, and also to tell us
14 what the cost would be if they included nursing
15 service and the purpose of that is to figure out
16 whether or not they could provide that service,
17 less expensively.

18 REP. MASLAND: Now, currently, your
19 nursing services are provided in-house?

20 MR. HORN: By state employees, that's
21 right.

22 REP. MASLAND: Okay.

23 MR. HORN: And we are in the process of
24 evaluating the cost differentials between those
25 various proposals.

1 REP. MASLAND: I'd have to have some
2 correspondence as --

3 MR. HORN: I am sure.

4 REP. MASLAND: -- you probably realize
5 about that issue.

6 MR. HORN: Sure.

7 REP. MASLAND: I don't want to get off
8 on a tangent on that one, though.

9 A couple of things that were raised
10 yesterday were some concerns regarding conflicts
11 of interest and incentives that -- or
12 disincentives, if you will, that private entity
13 might have in terms of either trying to keep
14 people in or trying to create the impression on
15 the public that we need more prisons and that we
16 need to, you know, we need to privatize more to,
17 in order so that they can grow their business.
18 I guess there is some conflict, though, already
19 within the system between you and the Department
20 of Corrections and the Board of Probation and
21 Parole: you obviously want to get people out so
22 that you can get your numbers down; Board of
23 Probation and Parole is hesitant, especially
24 after Mudman and McFadden and some of these
25 other things to let anybody in.

1 So, there is some tension there now in
2 the existing system, is that correct? And
3 that's why you and the Board of Probation and
4 Parole, you don't have control of the Board of
5 Probation and Parole, that is one of the
6 reasons.

7 MR. HORN: Nor should I. I wouldn't
8 describe it as tension, with all due respect.

9 I can run a prison system that has a
10 hundred thousand or a prison system that has
11 10,000, it makes no difference. I think that
12 ultimately is a decision that this Legislature
13 and the Governor have to make because it's a
14 matter of how much you are prepared to spend.

15 The concern to me is how quickly we get
16 there.

17 I have no problem if we make a
18 conscious decision in this Commonwealth to house
19 inmates for longer and longer times and not to
20 parole them if they house a hundred thousand
21 inmates. But I can't go from 33,000 to a
22 hundred thousand overnight. We have to build
23 the facilities, we have to hire the staff, we
24 have to train the staff, if we are going to do
25 it right, if we are going to protect the safety

1 of the employees and protect the safety of the
2 public.

3 I take no position with respect to who
4 should be paroled. My concern has more to do
5 with the consistency of our decision making.
6 And with the processing of those decisions, I am
7 concerned with respect to how decisions are
8 being communicated to inmates or not with the
9 delays that I see between the time that the
10 Parole Board interviews an individual and the
11 time that individual is informed of their
12 decision. I think there are individuals who are
13 parolable but because of administrative problems
14 have not been released. But I would not, I
15 would never call the Parole Board chairman and
16 say change your releasing policies or release
17 people to the relieve my overcrowding. I think
18 that is bad public policy. I think there is a
19 reason why we have chosen to separate the parole
20 function from the corrections function and I
21 will defend that.

22 REP. MASLAND: Well, let us look now to
23 the institution of the private prisons, given
24 you don't have -- you don't need the word
25 tension, but potential conflicts of interest or

1 disincentives or incentives that the private
2 industry might have. How do you see you, as the
3 Commissioner of Corrections, working with
4 private industry on the one hand and also that
5 industry working with the Board of Probation and
6 Parole? Do you see any potential problems
7 there? How is that really going to work?

8 MR. HORN: I really do not believe that
9 private prison operators are going to come into
10 the halls of this Legislature and lobby this
11 Legislature to pass laws that would cause the
12 prison population to grow in order that there
13 would be more work for them. Quite frankly,
14 they don't need any, you know, they don't need
15 any help. Between the DA's and the police and
16 the Legislature itself, the system is growing
17 just fine without those private operators
18 lobbying.

19 I think my responsibility is, first of
20 all, to come before you and before the Governor
21 and say, look, you do what you want to do,
22 you're the policy makers, but here is what it
23 looks like, here's what the bill is going to
24 look like, here is the estimate for the damage.
25 And now you make a choice and say, here's what I

1 can do and how quickly I can do it. And to say
2 to the private operators, if you come into this
3 state and you operate, there are certain
4 standards that you are going to have to hold to.
5 We are a civilized state, we are a humane state
6 and we don't believe in mollycoddling our
7 inmates but there is a level of behavior and a
8 level of treatment of human beings that we
9 expect in our prisons and we expect you to
10 provide it. And it is my responsibility, I
11 believe my statutory responsibility, to police
12 that. I have that responsibility today with
13 respect to our county prisons.

14 REP. MASLAND: Sure. And you would
15 still have to police this private prison to make
16 sure that they were properly writing up
17 misconducts and --

18 MR. HORN: Absolutely.

19 REP. MASLAND: -- not withholding that
20 so the people get out and they want to get rid
21 of them?

22 MR. HORN: That's right.

23 REP. MASLAND: So you have to do
24 that with your current personnel?

25 MR. HORN: Sure. Absolutely.

1 REP. MASLAND: Thank you, Mr. Chairman.
2 I am sure there are a lot of other questions. I
3 don't want to take up your time.

4 ACTING CHAIRMAN BIRMELIN: We are also
5 joined by the Democratic Chairman of the
6 Committee, Representative Caltagirone, and I
7 will get back to.

8 Representative Maitland, do you have
9 any questions for Mr. Horn?

10 REP. MAITLAND: No, I don't believe.
11 Thank you.

12 ACTING CHAIRMAN BIRMELIN:
13 Representative James.

14 REP. JAMES: Thank you.

15 Thank you, Mr. Chairman.

16 Thank you. Sorry if I was a little
17 late.

18 In terms of privatizing prisons, based
19 on your experience and knowledge, what have you
20 seen as the best operation and what have you
21 seen as the worst operation?

22 MR. HORN: I think there are many fine
23 privately operated prisons around. I haven't
24 visited all of them. I have -- I believe that
25 there are several major corporations, and I

1 don't want to endorse one over the other, but we
2 have had presentations by the Corrections
3 Corporation of America, by the Wackenhut
4 Corporation, by the United States Corrections
5 Corporation. We received responses to our RFI
6 from over 15 different potential vendors. I
7 have spoken to the corrections commissioners of
8 several other states and they believe that these
9 private operators, particularly organizations as
10 large and as experienced as CCA, Wackenhut, U.S.
11 Corrections Corporation, can run quality
12 prisons. Indeed, most of the people that they
13 are employing are people who at one time or
14 another ran state, county and federal prisons.
15 They know the prison business. There is no
16 magic to running prisons. There is no mystery
17 to running prisons. It's solid common sense.
18 It's not rocket science.

19 REP. JAMES: Well, can you give me like
20 a state or a location? It doesn't have to be
21 the company name, but just where you see, or,
22 based on your knowledge, extraneously, where or
23 what at least is one of the best ones that you
24 have seen.

25 MR. HORN: Yes, as a matter of fact.

1 And I would commend anyone who is interested in
2 the subject to visit the State of Louisiana, as
3 I plan to do at the end May. Louisiana is a
4 very interesting study in private operation of
5 prisons. They have three facilities that are
6 similar to our pro-typical facilities. They are
7 relatively identical. Architecturally, they
8 were built by the state at the same time. One
9 of them, the state operates, the State of
10 Louisiana Corrections Department operates; a
11 second one is operated for them under contract
12 by the Corrections Corporation of America; and a
13 third one is operated for them under contract by
14 Wackenhut. It is a wonderful opportunity and
15 they have been operating for over three years
16 now.

17 I have spoken directly to the
18 corrections commissioner in Louisiana and he is
19 absolutely certain that but for the difference
20 in the uniforms of the officers, you could not
21 tell the difference between the operation of his
22 prison and one of those other two privately
23 operated prisons. And I am planning to take
24 several members of my staff down there at the
25 end of May to visit those three prisons.

1 REP. JAMES: Now, the tough question:
2 which have you seen to be not so good --

3 MR. HORN: Well, I think all of us --

4 REP. JAMES: -- from your experience?

5 MR. HORN: All of us saw the terrible
6 situation in -- I forget which city, I think it
7 might have been -- in Newark where the Esmor
8 (phonetic) Corporation, I don't want to give
9 them a bad name, they were running a facility
10 under contract for the Federal Immigration and
11 Naturalization Service and the inmates rioted
12 and allegedly it was because the operator was
13 attempting to shortchange them on the food, and
14 the conditions were inadequate. So, it runs the
15 gamut.

16 REP. JAMES: Okay. Thanks. What
17 happens if, in fact, the -- and I haven't -- you
18 know, I am trying to look through the bill and I
19 haven't had an opportunity to go through it
20 earlier -- if, in fact, that you run into a
21 situation like in Newark as you just described
22 it and they need to be out of the business, what
23 would you do with that?

24 MR. HORN: Well, those kinds of
25 eventualities would have to be dealt with in the

1 contract. The way -- First of all, I have that
2 same responsibility today with respect to any of
3 the county prisons in the Commonwealth. If
4 there is a problem there, I would have to go in
5 and help them out. In fact, today, I have my
6 own staff running one of the county prisons in
7 the state. I have the warden at the county
8 prison in a large county as an employee of mine
9 and it is not the first time that we have done
10 that.

11 The way it works in good contracts is
12 that the contract says that if the vendor cannot
13 perform, that the state is authorized, or the
14 county, is authorized to come in and take over
15 the operation. And basically you build into it.
16 First of all, you require the posting of a
17 satisfactory performance bond to cover your
18 costs if you have to; secondly, you provide a
19 mechanism whereby the employees of the
20 corporation become temporary employees of the
21 state. That can be done.

22 We have temporary employees and we
23 would go in and we would say, now you work for
24 me and I am running this place.

25 We have mutual agreement, mutual

1 protection agreements with counties, with other
2 prisons. We would bring in back-up staff from
3 other prisons. We would handle it just as we
4 would an emergency in one of our own facilities.

5 In Louisiana, the private prisons
6 operate as part of the Corrections Department.
7 Their wardens attend the warden's meetings with
8 all the state wardens. Their emergency response
9 teams train with the state's emergency response
10 teams. If there is a problem in a state
11 facility, the staff from the privately operated
12 prison respond under that mutual-aid agreement.
13 You would cover all of those things in the
14 contract.

15 REP. JAMES: Would that also include,
16 like I saw somewhere in there where you say
17 that, I guess the corrections officer, become
18 police officers under some regulations? Would
19 they be required to get the same training that
20 the correction officers?

21 MR. HORN: Absolutely. Remember, my
22 correction officers in Pennsylvania are not
23 police officers. Correctional officers in state
24 correctional facilities are not police officers
25 under the law.

1 REP. JAMES: Why do they have that in
2 there about some police?

3 MR. HORN: I don't know. I am not sure
4 that they need to be. My correctional officers
5 aren't.

6 REP. JAMES: Okay. That is something
7 that we probably better check. Okay. Because
8 we don't want them to have some authority that
9 they don't need.

10 MR. HORN: But let me answer your
11 question very directly. We have asked every one
12 of these top three vendors that we invited in
13 for presentations and they said you tell us what
14 training you want and that's the training we
15 will give and you put them in the contract and
16 you pay for it. They have also said if you want
17 us to you send our employees to your training
18 academy, we will do that, too. And then we will
19 adjust that. That becomes part of a contract
20 negotiation.

21 REP. JAMES: In terms of -- and I
22 appreciate your, you have an age that, you know
23 what your age of your population is by different
24 age groups?

25 MR. HORN: Um-hum.

1 REP. JAMES: I was just thinking that
2 maybe if we wanted to try that, that maybe we
3 should do this with older inmates, maybe over 60
4 or 65, and then maybe find some pilot in
5 privatization that relates to that population
6 with older inmates?

7 MR. HORN: Why?

8 REP. JAMES: Well, I mean, because then
9 you would be getting them out of the system for
10 more violent crime.

11 MR. HORN: Well, but I am not talking
12 about getting them out of the system. I have a
13 facility that we built in the City of Chester
14 that is designed to hold almost a thousand
15 inmates in a medium security setting. It is
16 intended to be a specialized drug and alcohol
17 facility. There are people out there who
18 specialize in providing drug and alcohol
19 treatment. One of the presentations that we had
20 was by one of the vendors that entered into a
21 joint venture with a private drug and alcohol --
22 a very high quality drug and alcohol vendor, the
23 Kintock Group, who presently actually provides
24 drug and alcohol services for some of my inmates
25 and they've proposed a joint venture. It's a

1 very exciting proposal.

2 REP. JAMES: I see. So, I guess you --
3 just so that I can understand -- you are just
4 mostly interested in this prison or institution
5 in Chester being run by a private vendor?

6 MR. HORN: At this point, yes.

7 REP. JAMES: I see. Okay. Thank you.

8 ACTING CHAIRMAN BIRMELIN:

9 Representative Caltagirone.

10 REP. CALTAGIRONE: I just want to say
11 it is good to see the Commissioner again.

12 MR. HORN: Good to see you again.

13 REP. CALTAGIRONE: It is good working
14 with you on that piece, and I think you have
15 done a heck of a good job.

16 MR. HORN: Thank you.

17 REP. CALTAGIRONE: Thank you, Mr.
18 Chairman.

19 ACTING CHAIRMAN BIRMELIN: I have a
20 couple of quick questions for you. Let me ask
21 you a few questions that hopefully can be
22 answered quickly.

23 MR. HORN: Okay.

24 ACTING CHAIRMAN BIRMELIN: In
25 Louisiana, you said that there were three

1 prisons and you wouldn't have known the
2 difference between the three of them as far as
3 operating conditions are concerned. My question
4 would be, what advantage then would the private
5 prisons in Louisiana provide that is not found
6 in the state run?

7 MR. HORN: We have asked the vendors
8 that question. They came in and they said,
9 look, we will run our prison exactly the way you
10 run yours, if that is what you want. Here is
11 where they achieve their advantage: they are
12 separate. The most noticeable to me is
13 something called the relief factor. The relief
14 factor is something that we use when we make
15 staffing determinations and it has to do with
16 how many actual individuals it takes to staff a
17 position.

18 Lets say I have a post, a guard tower,
19 and I want to man that guard tower seven days a
20 week, for one shift, from six in the morning
21 until two in the afternoon. Obviously, I can't
22 do that with only one individual because I need
23 somebody to relieve him when he takes a day off,
24 I need somebody to relieve him when he goes to
25 training, I need somebody to relieve him when he

1 gets sick and so on. So, I have a relief
2 factor. And what drives your relief factors are
3 things like employee time and attendance. The
4 size of your relief factor, the higher your
5 relief factor means you have to hire more people
6 to staff a position.

7 In Pennsylvania, our relief factor
8 currently, based upon the time in attendance and
9 the contractual requirements, vacation and so on
10 of our staff, is in the neighborhood of 1.78 for
11 a seven-day post. In other words, to man a
12 single post, for one post, one position, for
13 seven days a week, requires 1.78 individuals.
14 And the way you staff a prison is you count the
15 number of posts that you have and you multiply
16 that by your relief factor and that tells you
17 how many personnel you need, how many
18 correctional officers.

19 The private vendors have lower relief
20 factors.

21 Why?

22 Because they have better time and
23 attendance.

24 Why do they have better time and
25 attendance?

1 Several reasons:

2 One, their employees have a vested
3 interest in the profitability of the
4 corporation. Two of them provide stock options
5 and one of them is an employee-owned firm.

6 Secondly, their ability to hire and
7 fire staff is not constrained by the terms of
8 Civil Service and collective bargaining
9 agreements.

10 The second area in which they can save
11 money is in procurement. They can take
12 advantage of market fluctuations that I cannot
13 because I am bound by the state's procurement
14 rules. Everybody says, why doesn't government
15 run more like a business? But, the fact is
16 government is not a business. Government is
17 constrained by rules and regulations. And I
18 have had my people in my prisons say to me, you
19 know, if there is lumber or paint or if I can --
20 if all of a sudden the price of potatoes go down
21 and the food service manager in the prison wants
22 to take advantage of a drop in the price of
23 potatoes or if the guy who runs the carpentry
24 shop in the prison wants to take an advantage of
25 a drop in the price of lumber, he can't go out

1 and do it. The private sector can do it.

2 The third thing: I say, look, isn't it
3 really true that what you do is you pay your
4 staff more? They say, no. They say, look, if
5 we are going to open a prison in a particular
6 area, we're going to be competing in the job
7 market with a state facility, with a county
8 facility, with a federal facility, with law
9 enforcement, we're going to have to pay a
10 competitive wage to attract staff. People have
11 choices. We will have to pay a wage that
12 attracts personnel to come and work for us.
13 But, more of their personnel will come in at the
14 bottom of the wage scale because they just
15 started.

16 Let's take Chester, for example. When
17 I opened the prison in Chester, just as the
18 prisons that we have opened elsewhere in the
19 state, most of the staff there will transfer in
20 from other facilities.

21 People who currently work at Graterford
22 will choose to transfer to Chester, they will
23 transfer with five, six, ten years of seniority,
24 they are being paid not at the entry level wage,
25 they are being paid in accordance with the Civil

1 Service wage scale. But if a private operator
2 comes in and opens up, they'll hire -- they will
3 obviously bring some experienced managers in
4 from their other operations, they will probably
5 hire people from within Pennsylvania to come
6 work for them and give them stock options and
7 401K's and they'll get people who maybe vest
8 their state retirement and want to start a new
9 career who have some experience. But, the vast
10 majority of their line staff will be entry level
11 employees.

12 And thirdly, because they have stock
13 options and employee ownership, their pension
14 costs are lower than the state's. So their
15 pension contribution is lower.

16 And, finally, probably, their benefit
17 package is not as attractive as the state's
18 benefit package. That's why they do it cheaper.

19 ACTING CHAIRMAN BIRMELIN: Thank you.
20 Back in 1986, when we passed the private prison
21 Moratorium Act and study was done and all of
22 that was completed, there was some concern or,
23 at least, some who thought that portions of that
24 act are still enforced today. Do you know for
25 sure whether or not that is the case?

1 MR. HORN: I don't know for sure. I
2 have asked my counsel to review the matter. The
3 preliminary reading that I get -- and
4 additionally we have asked all of the private
5 vendors who made presentations to ask their own
6 in-state counsel to examine it -- but the
7 preliminary reading that I get, the
8 interpretation is that the moratorium is not in
9 effect, that the section -- I think it was 1085
10 of the moratorium -- was, in effect, an
11 exception to the moratorium; and then because
12 the moratorium expired, obviously the whole
13 purpose of the limitation that prisons could
14 only have certain types of offenders, people
15 serving summary offenses and so on, that that
16 limitation expired along with the moratorium
17 since it was intended as an exception to the
18 moratorium. That is a preliminary reading.

19 ACTING CHAIRMAN BIRMELIN: One last
20 question. One of the issues that, perhaps, this
21 bill does not address, but I think that the
22 concern is whether or not we should have private
23 construction of prison facilities as opposed to
24 the present method and whether or not that was
25 stated in the moratorium?

1 In other words, we would lease it from
2 some private enterprise who would build it as
3 opposed to the current practice which today's
4 Commonwealth --

5 For purpose of the stenographer, the
6 cost savings that we have not yet discussed,
7 that some do mention, is whether or not private
8 construction of prisons and then those companies
9 in turn leasing it to the state would save us
10 money as opposed to the current practice of the
11 state going out, building the prison, and owning
12 it and it becomes Commonwealth property, have
13 you looked at that? Is that a cost saving or is
14 that a negative?

15 MR. HORN: I've looked at it, I am not
16 prepared to render a judgment on it. I think
17 there are pros and cons. I think there is no
18 question but that the private sector can bring
19 the construction in faster. I think that our
20 own experience in Pennsylvania with the building
21 of the poor-to-typicals proves that to be true.
22 The poor-to-typicals that were built through the
23 county authorities that were, you know, private
24 leased purchases or arrangements and so on, were
25 constructed more quickly than the facilities,

1 Chester and Houtzdale, that were built through
2 the Department of General Services.

3 Having said that; however, when you use
4 private capital to finance construction, you pay
5 more in interest. And I don't know enough about
6 public finance to answer that question, sir. I
7 think that is something probably better answered
8 by the Budget Office and DGS.

9 ACTING CHAIRMAN BIRMELIN: Okay. Thank
10 you very much, Mr. Horn.

11 REP. MASLAND: Chairman?

12 ACTING CHAIRMAN BIRMELIN: Okay, Mr.
13 Masland.

14 REP. MASLAND: If I could, we have
15 maybe a couple of minutes before the next person
16 is scheduled.

17 Just one quick comment on the wage
18 difference between a private prison starting out
19 with people at the low end of the wage scale
20 versus if you start at Chester and it is going
21 to be state run, you will be bringing in people
22 from Graterford that might be coming in at a
23 higher wage. It seems to me that there is going
24 to be somewhat of a wash there because the
25 people at Graterford are going to be replaced by

1 the people at the lower end of the wage scale.
2 So, maybe it would cost Chester more because you
3 have more people up here, but it might be
4 washout a little bit along the way.

5 MR. HORN: Yes. Yes. But, I have to
6 tell you, I don't think, and I'll try to make it
7 clear, but I don't think that the big difference
8 in cost has to do with the wage scale. Because
9 as I said, they are going to have to pay a
10 competitive wage.

11 REP. MASLAND: Sure.

12 MR. HORN: And, even if that were, what
13 you suggested were not to occur, after 5 years,
14 their wages would go up and there would be
15 convolutes between what they would be paying and
16 what I would be paying for, obviously, the men
17 who have been around for a while. I said, I
18 think where their big advantage is, is in their
19 ability to staff -- to use fewer staff to cover
20 the same number of posts because they get
21 greater productivity out of their work force;
22 their advantage in purchasing; and the cost of
23 their benefit package.

24 REP. MASLAND: Yeah, I'm no great
25 numbers cruncher, but when I see a relief factor

1 of 1.78 versus a relief factor of 1.6 for the
2 private people, to me, that still means two
3 people, you know.

4 MR. HORN: Well, actually when you
5 multiply it out over a couple of hundred posts,
6 that can make a big difference over time. And,
7 the difference, sir, is more in the neighborhood
8 of a difference between 1.78 and 1.5. So,
9 that's almost a full quarter position. That
10 means for every four posts, that's one fewer
11 person you have to hire.

12 REP. MASLAND: One thing that I think I
13 know what your answer is going to be, but you
14 haven't really touched on explicitly, but based
15 on your comments on Louisiana, I don't think you
16 have any concern there, but, some people did
17 express a concern yesterday about whether or not
18 private prisons should house maximum security
19 versus minimum security prisoners. The thought
20 was that if we are going to try this, maybe it
21 should just be for a minimum security. What are
22 your thoughts on that?

23 MR. HORN: I don't -- I don't believe
24 that that is so. For the same reason I don't
25 think we should focus on the elderly offenders.

1 I think that there are -- the corporations that
2 are running private prisons, are running maximum
3 security prisons. Facilities in Louisiana are
4 similar to ours with multiple custody levels.
5 The facility in Chester is not a maximum
6 security facility. It is a level three
7 facility.

8 The security of a facility and the
9 public's protection derives from two things. It
10 derives from the physical construction and the
11 security attributes of the physical plant and it
12 derives from the vigilance of the individual
13 staff. There is nothing to -- there is nothing
14 that has demonstrated to me that private vendors
15 are not as capable or more capable of providing
16 that vigilance than we are. If the private
17 sector finds an employee asleep on his post,
18 that employee is on the street that day. If I
19 find an employee asleep on his post, I have to
20 prove it to an arbitrator.

21 REP. MASLAND: Okay. Thank you.

22 ACTING CHAIRMAN BIRMELIN:

23 Representative James has one more question.

24 REP. JAMES: I have one more. Until he
25 just made his statement, now I have two, if it's

1 okay with the Chairman.

2 One, my first question is -- Let me
3 deal with the last one first since that is more
4 personalized.

5 As you say, the private person
6 would -- can automatically get rid of them. We
7 just had an incident in Philadelphia where we
8 had a private, a private contractor, who, I
9 think raped, was accused of raping an inmate.
10 And, what I was concerned with, one of these
11 private persons had molested or been accused of
12 molesting some inmate and they kept him in the
13 position in your jail. But, I heard you say
14 that they would automatically get rid of them
15 and I was concerned about that.

16 MR. HORN: My point is that they have
17 the flexibility to do so. Let me tell you as
18 well that I can give you information on the
19 numbers of state employees who I have had to
20 discipline because they have had sexual
21 relations with inmates.

22 REP. JAMES: Okay. All right. And
23 then the other question I was concerned, my
24 concern is about that the private people, if
25 they come in, that they hire from the community,

1 they hire from within the state as opposed to
2 bringing in other employees from around the
3 state. Can we make sure that is controlled in
4 the contract or are we going to be looking at
5 that?

6 MR. HORN: Because it is a private
7 contract, we can't specify what our expectations
8 are of that vendor. And, in fact, I believe
9 they have an advantage that I don't have. When
10 I open up a facility, let's take Chester, for
11 example, I will have to give a state Civil
12 Service test for that position and anyone, from
13 any where in the state, will be able to take
14 that test. And if they score high enough and if
15 they have veteran's credits, I am going to hire
16 them. And if they want to come in from
17 Lancaster County or York County or Montgomery
18 County or Bucks County, I am going to hire them.
19 And if the kids in Chester take that test and
20 they don't score as well, they are out of luck.

21 The private vendor is not bound by a
22 Civil Service test and if he and I agree by
23 contract that he will make a good faith effort
24 to hire 25 percent, 50 percent of his staff from
25 within the City of Chester, Chester residents,

1 he can do that. I can't.

2 REP. JAMES: Thank you.

3 Thank you, Mr. Chairman.

4 ACTING CHAIRMAN BIRMELIN: Anyone else
5 have any questions?

6 Thank you, Mr. Horn.

7 MR. HORN: Thank you, sir.

8 ACTING CHAIRMAN BIRMELIN: Our next
9 presenter is Charles Greenawalt, he's Senior
10 Policy Associate of the Commonwealth Foundation.
11 And I would also like to introduce
12 Representative Pete Daley, who has joined the
13 Committee here this morning.

14 REP. DALEY: Good morning, Mr.
15 Chairman.

16 ACTING CHAIRMAN BIRMELIN: Mr.
17 Greenawalt, welcome to our Committee hearing and
18 you may proceed to give your testimony whenever
19 you are prepared to.

20 MR. GREENAWALT: Thank you. I know it
21 is take your daughter or take your children to
22 workday today. I asked my seven-year-old twin
23 daughters if they would like to come along
24 today. And they said, well, Daddy, do they have
25 coloring books? And I said, no, I don't think

1 the House has coloring books, girls. Well,
2 then, Daddy, we will pass on and come along the
3 next time. So maybe the next time, they'll come
4 along. Good morning, ladies and gentlemen, it's
5 a pleasure to be here.

6 REP. JAMES: We do have coloring books.

7 MR. GREENAWALT: Oh, you do have
8 coloring books. Oh, my goodness, I have made a
9 terrible mistake.

10 REP. MASLAND: My daughter, when I told
11 her what's on my agenda today, decided she would
12 rather go to a sleep over.

13 MR. GREENAWALT: Well, particularly
14 when she heard that I was going to be one of the
15 testifiers, is that it, correct? No, I was just
16 kidding.

17 REP. MASLAND: It is nothing personal.

18 MR. GREENAWALT: Oh, my.

19 Well, thank you for the information.

20 Well, good morning, ladies and
21 gentlemen of the Judiciary Committee, staff
22 members and members of the audience. The
23 Commonwealth Foundation and I wish to thank you
24 for this opportunity to testify before you today
25 on the issue of private prisons. The

1 Commonwealth Foundation is a non-partisan,
2 non-profit corporation established to offer
3 analysis of public policy issues in order to
4 assist in the formulation of public policy
5 issues that will help build a better
6 Commonwealth for all of its residents. While
7 the Foundation and I are not permitted to
8 advocate or oppose specific legislative
9 proposals, we do discuss the advantages and
10 disadvantages of public policy concepts.

11 The privatization of services
12 traditionally provided by state and local
13 government is a movement of tremendous momentum.
14 The collapse of the economic systems in the
15 former Soviet Union and its satellites is taken
16 as a testament to the superiority of the
17 capitalistic marketplace for best meeting
18 citizens' needs. Privatization has proven to
19 generally be less costly and more efficient.
20 Throughout the world more and more tasks that
21 once were performed by government have been
22 transferred to private business. Privatization
23 should be viewed as neither panacea nor poison.
24 It is simply one tool available to public
25 officials. Before public officials apply it

1 universally, however, there are points that they
2 should remember:

3 Number one, the success of
4 privatization is situational. It is dependent
5 upon local circumstances and how well the new
6 approach is implemented. Options to involve the
7 greater use of the private sector should,
8 however, automatically be considered on a
9 periodic basis; a willingness to consider
10 switching back from private service delivery to
11 public service delivery should be maintained;
12 and attention needs to be given to the three
13 potential problems of privatization: corruption,
14 reduced service quality and reduced access to
15 the services for the disadvantaged.

16 Perhaps one of the main virtues of the
17 privatization movement is that it encourages
18 public employees to improve their own
19 productivity in order to help ensure their own
20 competitiveness in the face of privatization.
21 Increasingly, the message to the public sector
22 is that if a service has problems in efficiency
23 or quality, the agency needs to shape up or be
24 shipped out. The net result should be less
25 costly and higher quality services for all of

1 the public.

2 Prisons have become a growth industry
3 throughout the country during the last 20 years.
4 During this time the number of inmates has
5 increased by more than 200 percent, creating an
6 onerous burden for state governments and an
7 exploding demand for new prisons. To meet the
8 demand, 14 states are now contracting out the
9 operation of some of their correctional
10 facilities. A half-dozen other states have
11 either passed legislation allowing private
12 prisons or they are planning to do so. During
13 one year alone, 1994, the number of prisoners in
14 private facilities rose by 51 percent to around
15 49,000 inmates.

16 Nationwide, the privatization
17 experiment with penal institutions, has been a
18 success. Public authorities have set standards
19 for the operation of these institutions by
20 private authorities, and these public
21 authorities have retained ultimate
22 jurisdictions. In fact, a far higher percentage
23 of the nation's 88 private prisons win a
24 accreditation from the American Correctional
25 Association than do state and local penal

1 facilities. These private prisons also save
2 taxpayers dollars. A typical private prison
3 will cost 15 percent to 30 percent less to
4 operate than a comparable government-run
5 facility.

6 The crime and prison population trends
7 that are evident throughout the nation have also
8 been apparent in Pennsylvania. Pennsylvania's
9 prison population has increased approximately
10 294 percent since 1980. During the next four
11 years, the Commonwealth's prison population will
12 expand by about another 32 percent.

13 Consequently, the state's prison system
14 presently exceeds capacity by more than 10,000
15 inmates, and the Pennsylvania Department of
16 Corrections estimate that the state's penal
17 system will be approximately 14,400 prisoners
18 over capacity at the beginning of the next
19 century.

20 Pennsylvania's crime rate coupled with
21 its soaring prison population has led to a time
22 that state policymakers should consider new
23 options. The Ridge Administration has begun its
24 term in office by vigorously tackling some of
25 the state's criminal justice problems, such as

1 parole and probation, along with creating order
2 in maximum security facilities like Graterford.
3 Certainly, the state's search and sweep of the
4 Graterford facility vividly revealed the range
5 of problems experienced by many prisons
6 throughout the country. As you know, the
7 Graterford raid turned into the largest prison
8 drug raid in American history. Who could ever
9 forget that the prison's sewage treatment system
10 was clogged by condoms filled with cocaine that
11 were being hurriedly discarded by the inmates?
12 When faced with the results of this search, the
13 new Corrections Commissioner, Martin Horn,
14 confessed to poor management practices that had
15 been in place at the facility.

16 In addition to the Graterford sweep,
17 which required the participation of 250 state
18 troopers and 400 members of the prison emergency
19 response teams, one can see other shortcomings
20 throughout our state and local penal systems in
21 Pennsylvania. An audit conducted by Controller,
22 Jonathan Saidel, of the Philadelphia Prison
23 System from July 1993 to October 1994 revealed
24 widespread waste and inefficiency. For example,
25 about \$34,000 worth of new or refurbished

1 kitchen equipment was thrown away while the
2 prison's inmate store was also squandering
3 nearly \$300,000 in inventory. These incidents
4 violated Philadelphia's Home Rule Charter that
5 mandates department heads to turn over to the
6 city's procurement department all unused
7 property.

8 Prisons, therefore, have acquired a
9 loathsome reputation; indeed, they are probably
10 much worse than people appreciate. So the
11 beginning argument for the privatization of
12 prisons is that it would be difficult to do a
13 worse job of dealing with the multitude of
14 mankind packed into our nation's prisons than is
15 being done today.

16 Prisons have been with us for a long
17 time. As early as 525 B.C., Plato, writing in
18 The Laws, recommended imprisonment for theft as
19 well as assault and battery. The Greek
20 city-states also have historical records of
21 offenders being placed under house arrest.
22 Imprisonment has been used only sporadically to
23 deal with criminals until comparatively
24 recently.

25 Nevertheless, there are historical

1 precedents of private involvement in the
2 criminal justice system that influenced the
3 American colonies. In 16th, 17th and 18th
4 Century England, there were several hundred
5 jails that were in theory the king's prisons,
6 but were run by different authorities. These
7 jails were often run by private individuals and
8 these jails were often operated by private
9 citizens, and the jailers made their living, or
10 a portion of it, from fees extracted from their
11 prisoners.

12 Toward the end of the 18th Century, a
13 new type of institution dealing with offenders,
14 the penitentiary, originated in the United
15 States. In this type of institution, offenders
16 were locked up, but not just to wait for their
17 trial. The incarceration itself became the
18 punishment. In 1790, the Walnut Street Jail
19 opened in Philadelphia and it became the model
20 for the Pennsylvania system. This program
21 included solitary confinement of men convicted
22 of felonies, and later, labor was introduced to
23 provide inmates something to do and for its
24 therapeutic effects. Soon private contractors
25 were placed in charge of providing and/or

1 managing various services, including prison
2 labor.

3 In 19th Century America, the lease
4 system also became widely used. This
5 arrangement gave private contractors complete
6 control of the penal facility, including the
7 maintenance and discipline of the prisoners.
8 The first lease arrangement in America can be
9 traced to the Frankfort, Kentucky State Prison,
10 which had not been able to make a profit on
11 convict labor and was draining money away from
12 the state at a time when it was experiencing a
13 serious financial crisis. The private contract
14 system, however, disappeared by 1940. From that
15 time, almost all prison labor was performed in
16 the state use system, in which all production
17 was earmarked for supplying the needs of state
18 offices and agencies.

19 Currently, the rapid and large-scale
20 increase in the number of incarcerated people
21 across the country has resulted in major
22 problems of overcrowding in the prisons despite
23 an accelerated effort to build more facilities
24 and enlarge the holding capacities of existing
25 facilities. In 1988, the 39 states, the

1 District of Columbia, Puerto Rico and the Virgin
2 Islands fell under a federal court order to
3 limit their federal jail population unless they
4 could decrease their overcrowding.

5 Closely connected with the issue of
6 overcrowding is the problem of prison costs.
7 Correctional expenditures have also been
8 increasing rapidly. Prison costs have varied
9 widely among the states. It was highest in
10 Alaska at \$39,822 per inmate per year, and
11 lowest in Mississippi at \$8,501 per inmate in
12 1985. Operating costs across the nation
13 increased 470 percent between 1971 and 1985;
14 this category of government spending rose faster
15 than any other category of government spending
16 during this time period. Between 1984 and 1990,
17 the states' correctional costs increased by
18 237.4 percent.

19 The spiraling costs of corrections have
20 been noticed by state governments as well as by
21 the general public. But, a dilemma has
22 developed in the minds of many members of the
23 general public, however, over the issue of
24 prison costs, because these escalating costs
25 have come to the attention of the general public

1 at a time when it increasingly is demanding a
2 get-tough approach to crime. And that was very
3 evident here when you held your special session
4 on crime. For example, bond initiatives for
5 prison construction failed to pass in several
6 states in the early 1990s, that would include
7 California, Michigan, New York, and Oregon.

8 Prison privatization has emerged as a
9 means to resolve this dilemma by curbing public
10 expenditures and increasing prison capacity.
11 There has been an increasing interest in the
12 privatization of prisons since the mid-'70s. By
13 the early 1980s, 38 states already had some kind
14 of private contract for the providing of private
15 services, such as medical care, food
16 preparation, educational programs and so forth.
17 Since the early 1980s, private for-profit
18 corporations have also begun to operate entire
19 prisons. Even though many juvenile correctional
20 facilities and community-based programs are
21 operated by the private sector, only a few adult
22 jails and prisons are managed currently by
23 private corporations. In the mid-1980s, at
24 least one state, Tennessee, seriously considered
25 the transfer of the management of the whole

1 state correctional system to a private
2 corporation, an attempt that did not come to
3 fruition. But in the 1991 census of private
4 correctional facilities, 44 facilities have been
5 operated by 14 companies, housing about 14,000
6 inmates.

7 Private involvement with adult
8 correctional facilities can appear in three
9 major forms. First, many states are seeking
10 private financing and construction of prisons
11 because there are debt limits on government
12 and/or a need for voters' approval for any bond
13 issue to finance prison buildings. Private
14 companies can finance and build entire prisons
15 in a matter of months; whereas, it may take
16 years for the government to complete the same
17 project. Second, private industry involvement
18 in prisons is a long tradition in American
19 corrections. There is a renewed interest across
20 the country in bringing private companies back
21 into the prison to try to better teach job
22 skills, work habits and the self-discipline
23 needed to succeed outside of the prison. Third,
24 the management and operation of an entire
25 correctional facility, be a private contractor,

1 has been the most controversial area of
2 privatization.

3 Theoretically, it is easy to understand
4 why privatization should be able to increase the
5 incarceration capacity at a faster pace and more
6 cheaply than the public sector can do so. The
7 private sector is competitively motivated and
8 dedicated to providing a maximum satisfaction to
9 its customers and clients at a minimum cost. On
10 the other hand, the public sector being
11 monopolistic does not have similar motivation;
12 bureaucrats are rewarded by the size and the
13 budget of their agencies, not by their
14 performance. According to E.S. Savas, who is
15 considered our father of privatization, major
16 difference boils down to the issue of monopoly
17 versus competition, rather than private versus
18 public. When private companies hold monopolies,
19 they also frequently lose their efficiency and
20 flexibility, as in the case of public utilities.

21 Although opinions vary, privatization
22 of Pennsylvania's prisons, would likely save at
23 least 10 percent yearly in operation costs.
24 Hence, in Fiscal Year 1995-96, the state could
25 have saved approximately \$76 million. The

1 Commonwealth could also save in the financing
2 and construction costs for new prisons. Given
3 the state's estimated year -- and that should
4 be -- 2000 prison overpopulation figure of over
5 14,422 inmates, 15 new prisons would be needed,
6 resulting in a savings of \$551.25 million over
7 20 years.

8 Complete privatization of the state's
9 prison system as of the year 2000 would yield
10 \$137.32 million based on the current costs and
11 estimated future costs from prisoners as well as
12 housing one prisoner per cell.

13 Private prisons provide significant
14 financial and service quality advantages to
15 Pennsylvania. With the need for new prison
16 space not abating combined with the high costs
17 of prison construction with a tight state
18 budget, perhaps the time for privatization has
19 finally arrived in our Commonwealth's
20 Corrections Department.

21 Thank you for the opportunity to be
22 with you today and to testify.

23 ACTING CHAIRMAN BIRMELIN: Thank you,
24 Mr. Greenawalt. The Members of the Committee
25 may have some questions for you.

1 Representative Daley.

2 REP. DALEY: The only question I have,
3 Mr. Greenawalt, there is some concern that the
4 discipline that is provided in private
5 institutions may not be the same as state
6 institutions. How do you respond to that
7 historically?

8 MR. GREENAWALT: Well, historically
9 there is no doubt, when we go back into the 19th
10 Century in the early 20th Century, in some
11 instances there were abuses. However, we didn't
12 have the -- those situations weren't
13 characterized by the type of care, which this
14 subcommittee and which this General Assembly
15 would be using in proceeding in this direction
16 if you would chose to do so. And that is, that
17 you would, in fact, maintain the ultimate
18 jurisdiction over those facilities and there
19 very well might be, or should be, a monitor:
20 someone who would be on site, all the time, to
21 ensure that compliance is met. And if, in fact,
22 compliance is not met, that contract can be
23 immediately stripped from those people. Always
24 the fear of losing your business is a tremendous
25 incentive to be on your best behavior, to

1 perform at the highest levels and the quality of
2 the service will ultimately be higher and the
3 cost should be lower.

4 REP. DALEY: There has been a
5 recommendation that we go to hard time in our
6 prisons for the convicted felon. Will the
7 private institutions be able to deliver that
8 type of punishment? If so, would it be decided
9 by the Legislature? And historically, it is my
10 understanding that some private institutions
11 were very familiar with that type of
12 approach to discipline in prisons.

13 MR. GREENAWALT: Well, I certainly
14 believe that a private institution, just as well
15 as a public institution, could have a very firm
16 discipline and an atmosphere that is
17 characterized by order. We find that this whole
18 notion has -- it's been sweeping across the
19 states and there have been some states that even
20 have been trying to reintroduce the notion of
21 shame in to their criminal justice systems.

22 You might recall what's been done in
23 Alabama where some of the inmates who are
24 particularly troublesome are made to wear hot
25 pink jumpsuits and they -- until they behave at

1 more acceptably, they have to wear those hot
2 pink jumpsuits. Of course, no one would like to
3 do that: they are ridiculed by their fellow
4 prisoners, and there has been some success with
5 that type of approach in a few of the
6 institutions.

7 So, no, I don't see any reason why the
8 privates can't be monitored well and can't
9 provide the same type of environment that you
10 are discussing.

11 REP. DALEY: Thank you, Mr. Chairman.

12 ACTING CHAIRMAN BIRMELIN:
13 Representative James.

14 REP. JAMES: Thank you, Mr. Chairman.

15 I just thank you for your testimony and
16 thank you --

17 MR. GREENAWALT: You are welcome.

18 REP. JAMES: -- for the report that the
19 Commonwealth Foundation provided. They are very
20 informative.

21 What is your view as to why the private
22 contract system disappeared in the '40s?

23 MR. GREENAWALT: I am not -- I can't
24 say, I am not going to pretend that I'm a
25 criminal justice historian. I would have to, I

1 would have to confess that my knowledge of that
2 area is rather sketchy. I could only venture
3 some guesses. For example, things such as
4 increasing public involvement, public sector
5 involvement throughout all sectors of society
6 during this period of time. Of course, that
7 started in 1932 with the Great Depression and
8 people looking to the government for hope, and,
9 of course, government at all levels led by the
10 federal government was trying to involve itself
11 in society at all levels to jump-start the
12 economy. And then, of course, that ultimately
13 happened with the advent of the Second World
14 War. I am afraid other than that general
15 impression, I can't supply you with more
16 information than that.

17 Certainly, there were abuses and those
18 abuses were coming more and more to the fore as
19 the press became better at investigative
20 journalism and also as the government became
21 more involved with all sectors of society and
22 federal government became more involved with the
23 affairs of the states in certain matters. So, I
24 think for all of those reasons might partially
25 account for it. I can get back to you on that

1 if I can do a little bit more research in that
2 area.

3 REP. JAMES: Thank you. That would be
4 good if you could share that with the Committee.

5 MR. GREENAWALT: Sure, my pleasure.

6 ACTING CHAIRMAN BIRMELIN:
7 Representative Maitland, do you have a question?

8 REP. MAITLAND: No questions.

9 ACTING CHAIRMAN BIRMELIN:
10 Representative Masland.

11 REP. MASLAND: I just have a question
12 on some of the figures you have on page five, if
13 you look back at those. Just so I am clear on
14 it. In the third paragraph from the bottom of
15 the main paragraph, you have a statement that we
16 would save 10 percent yearly in operation costs.

17 MR. GREENAWALT: Um-hum.

18 REP. MASLAND: I guess if all of
19 Pennsylvania's prisons were privatized, is
20 that --

21 MR. GREENAWALT: That's correct.
22 Um-hum.

23 REP. MASLAND: That's correct. And
24 that equals 76 million?

25 MR. GREENAWALT: Um-hum.

1 REP. MASLAND: And then the next
2 paragraph states that if we have the whole thing
3 privatized, and, again, you are just talking
4 about state, not state and county?

5 MR. GREENAWALT: Um-hum.

6 REP. MASLAND: That by 2000, we would
7 save a 137 million a year. What accounts for
8 the 76 million increase and up to a 137 million,
9 etc.?

10 MR. GREENAWALT: Well, the first is
11 just operation costs. In the first paragraph,
12 it is just operation costs. There were many
13 other costs involved besides just strict
14 operation costs.

15 REP. MASLAND: Okay.

16 MR. GREENAWALT: These figures are
17 based on the report that we issued about two
18 months ago and you can find them in there. If
19 you would like the sources, we can make those
20 available to you. In fact, I have those with
21 me.

22 REP. MASLAND: Okay. I have the
23 reports on those. I am looking and trying to
24 figure out what the difference was. Okay.
25 Thank you.

1 MR. GREENAWALT: You are welcome.

2 ACTING CHAIRMAN BIRMELIN: I would like
3 to bring your attention to page two, if I could,
4 the second paragraph, the last two sentences of
5 that paragraph. You made the statement that
6 these private prisons also save taxpayers
7 dollars. A typical private prison will cost 15
8 percent to 30 percent less to operate than a
9 comparable government-run facility.

10 Two questions. Well, one question
11 predicated by a statement. The statement is,
12 some of the testifiers who were here
13 yesterday -- and I am not sure whether or not
14 you were here --

15 MR. GREENAWALT: I was not.

16 ACTING CHAIRMAN BIRMELIN: -- made the
17 statement that there is no documentation that
18 proves that privately-run prisons are cheaper to
19 operate than state-run ones. Given that
20 statement, which was reiterated by more than one
21 person yesterday, by the way, what documentation
22 do you have for this statistic that you give and
23 are you in a position to share that with the
24 Committee?

25 MR. GREENAWALT: I am in a position to

1 share it with the Committee. I don't have it.
2 I know exactly where that statistic came from
3 and it is documented. I have that back in my
4 office. I will be happy to provide that to you
5 and to your staff.

6 We know, for example, off the top of my
7 head, that there are a number of facilities
8 where there have been studies. For example,
9 here in Pennsylvania, there was a juvenile
10 facility at Weaversville that was privatized and
11 there was a study done on that. That particular
12 study showed marginal savings. But, by golly,
13 it did show savings. It did show savings.
14 Though they weren't as great as some people
15 expected initially.

16 Right now there is a long-term
17 experiment being conducted in the States of
18 Tennessee and Louisiana. There are two prisons
19 that opened up at the same time, with the same
20 characteristics and they are being compared
21 currently in terms of costs. And that study
22 should be available within the next year. But
23 you find that that is in an effort to try to
24 answer that particular question and provide
25 additional documentation. But both our earlier

1 report and this figure, I can provide that
2 documentation to the Committee, and be happy to
3 do so.

4 ACTING CHAIRMAN BIRMELIN: And if
5 memory serves me correctly, yesterday a couple
6 of the testifiers said that while there may have
7 been some cost savings in the first two or three
8 years of these private prisons that ultimately
9 over a longer period of time, that it flattened
10 out and evened out essentially the same as the
11 cost would have been for government-run
12 operations. So, when you're doing your research
13 for documentation, it would be helpful to us
14 that if you have a study that would prove this
15 over a longer period of time as opposed to just
16 the first year or two of start-ups.

17 MR. GREENAWALT: Well, certainly. Let
18 me just -- considering the financing, one would
19 think that the cases is as apparent. The fact
20 that the private prisons, the private
21 authorities can put the prison on line much more
22 quickly, you can provide a higher quality
23 service, you can probably do this, you can do
24 this at a lower cost for all services. And
25 those, all those costs would accumulate and

1 would be cumulative over a long number of years.

2 ACTING CHAIRMAN BIRMELIN: I also would
3 like to call your attention to page five, if you
4 would turn there, please, the first full
5 paragraph. In this particular paragraph, you
6 make three statements and I would like to draw
7 your attention to point number two. And that
8 is, second, private industry involvement in
9 prisons is a long tradition in American
10 corrections. There is a renewed interest across
11 the country in bringing private companies back
12 into the prison to try to better teach job
13 skills, work habits and self-discipline needed
14 to succeed outside of the prison.

15 I am not quite sure why you said it the
16 way you did. Were you trying to point out the
17 fact that bringing a private company in to run
18 the prison teaches better job skills, or, is
19 that, if they already have the control that they
20 can do more with the prisoners than the state
21 can?

22 MR. GREENAWALT: Well, actually both.
23 Actually both. If you have a number of states
24 that are looking at private companies to bring
25 in -- to come into the prisons and to teach

1 prisoners job skills, to provide counseling, and
2 they tend to be able to do that at a lower cost
3 and tend to do just as good or a better job. In
4 terms of the long tradition, what we're talking
5 about there is in terms of the food services and
6 that sort of thing; but, that has been a long
7 tradition, in terms of there has been some
8 privatization in those areas with many prisons.

9 ACTING CHAIRMAN BIRMELIN: That's all
10 the questions I have.

11 Anyone have any quick questions?

12 Representative Masland.

13 REP. MASLAND: Yes. Just one and this
14 is really to confirm what I think you have been
15 saying, what your testimony has been saying,
16 really I think is in line with what Commissioner
17 Horn has stated, and that is that the bottom
18 line with respect to privatization is one really
19 of cost. It is not a question of trying to
20 correct a problem with public safety or
21 protection or rehabilitation or any of those
22 other ancillary items, if you will, although
23 they are very important in terms of the prison
24 system. But, really, it is a matter of costs,
25 is that correct?

1 MR. GREENAWALT: That's true. Also I
2 wanted to point out the fact that this is not
3 something new. That the private sector has been
4 involved with corrections over history, over a
5 long period of time, so this is not something
6 that has never been tried before and is
7 completely new and revolutionary. This is
8 something that we have done in the past. We can
9 learn from those experiences in the past, and do
10 it better and save money and bring facilities
11 on-line much more quickly. Because we find that
12 certainly there is still a raging debate in our
13 society over the value of imprisonment versus
14 alternative forms of punishment.

15 And, of course, we know that for every
16 year, for example, that some of the violent
17 offenders stay in jail or incarcerated, you are
18 going to have a 200, 400 percent advantage in
19 terms of costs to society, in terms of the
20 potential cost to society if that individual
21 were out on the street and were engaging in
22 criminal behavior.

23 REP. MASLAND: Okay. Thank you.

24 MR. GREENAWALT: You are welcome.

25 REP. JAMES: Mr. Chairman?

1 ACTING CHAIRMAN BIRMELIN:

2 Representative James.

3 REP. JAMES: Please excuse me because I
4 think you raised this question about and I just
5 wasn't clear on the answer or maybe I just
6 missed it because I was doing some reading also.
7 Is that these private entities come in and they
8 come in at lesser fees or you save money the
9 first couple of years and then all of a sudden
10 then they go back up. What was your response to
11 that? I mean, because they give out people
12 business, so they get the business, they come in
13 cheaper so they can get the business and then it
14 goes back up and you go back to the other
15 business.

16 MR. GREENAWALT: I am not sure that I
17 would agree with that generalization. I think
18 that every institution is different and that's
19 why within the first page, I mentioned that you
20 should always retain the possibility of going
21 back to public service delivery; and if, in
22 fact, the private provider understands that and
23 that is re-enforced then they are going to watch
24 costs at all levels and try to do a better job.
25 But I don't -- I am sure there are instances of

1 that, but that is not universal, nor must it
2 apply to Pennsylvania if you were to try this
3 experiment here on a wider scale in
4 Pennsylvania.

5 REP. JAMES: In your view of this, have
6 you noticed one area or the state that has a
7 good operation and one that has a bad operation
8 in your view, if you can describe, or just
9 mention where they are located?

10 MR. GREENAWALT: Well, I would not want
11 to label any state as having a bad operation at
12 this point. And there is no state that has a
13 statewide experiment. As we have said that
14 Tennessee came very close in the mid-1980s and
15 then pulled back at the last, at the last
16 minute. But there are, you know, examples of
17 the individual facilities that have done, that
18 have done very, very well. But, as far as
19 states, no, I can't give you states that are bad
20 and states that are doing good.

21 REP. JAMES: Okay. In terms of public
22 policy which we have to hear about, okay --

23 MR. GREENAWALT: Um-hum, certainly.

24 REP. JAMES: -- there may be, if not
25 states, there may be locations that have not

1 been good and some that have been good that you
2 may be aware of --

3 MR. GREENAWALT: Um-hum.

4 REP. JAMES: -- and you're saying that
5 you can't reveal that?

6 MR. GREENAWALT: I said I can't talk
7 about states as you mentioned states because --

8 REP. JAMES: Okay. I have the wrong
9 word. What location of a facility which you
10 think is good and what you think is not too good
11 so that we can review that in terms of our
12 determination to see --

13 MR. GREENAWALT: Yeah. Let me go
14 through all the different facilities that we
15 have and I'm going to consult with a few other
16 people's on. I am going to pick out what I
17 consider may be five of the best facilities,
18 give that with you, and five of the worst
19 facilities; would that be okay?

20 REP. JAMES: Great. Yes. You submit
21 that to the Chairman and it would help. Thank
22 you.

23 ACTING CHAIRMAN BIRMELIN: Mr.
24 Greenawalt, let me take you back to a statement
25 you made earlier, I don't know if it was in your

1 testimony or not, but we talked about the
2 presence of a monitor. We had a gentleman who
3 spoke yesterday who felt that having a monitor
4 there on-site was not a good idea. I get the
5 impression that you think it is, a monitor being
6 a person to watch over the prison in general to
7 make sure that the terms of the contract are
8 being met. Could you elaborate a little bit
9 more on why you think a monitor on-site is
10 necessary and what the benefits of that would be
11 and maybe even some of the pitfalls?

12 MR. GREENAWALT: I think maybe the way
13 I would respond to that would be to throw the
14 question back to you and say, well, why would --
15 what is the basis for someone thinking that it
16 is not a good idea? I can't imagine that --

17 ACTING CHAIRMAN BIRMELIN: Well, his
18 objection was that you would, in effect, have a
19 double-headed monster leading the organization,
20 that they would see a dual head shift there that
21 would create some internal problem.

22 MR. GREENAWALT: I would say that the
23 monitor doesn't need to be full-time on-site,
24 but, that the monitor should spend considerable
25 time there. And, perhaps, if there were a

1 number of facilities that a monitor would be
2 responsible for maybe two or three facilities
3 and would rotate the time among those
4 facilities. I think that would probably be a
5 good, a good practice. It wouldn't have to be
6 on-site, full-time, but it could share maybe
7 some of the responsibility for several
8 facilities. But certainly, you would want to
9 make sure that you avoid these abuses that we
10 might have seen in the distant past, and you
11 want to make sure that all terms of the contract
12 are being complied with.

13 ACTING CHAIRMAN BIRMELIN: Okay. Any
14 other members have questions?

15 (No response.)

16 Thank you very much, Mr. Greenawalt.

17 MR. GREENAWALT: You are welcome.

18 Thank you.

19 ACTING CHAIRMAN BIRMELIN: Our last
20 testifier is Robert H. Sprecher, he represents
21 the Wackenhut Corrections Corporation, one of
22 the larger privatization corporations that
23 operate some prisons in Pennsylvania, but he is
24 not here yet and so we are going to take a short
25 break. Hopefully, you will be able to stay. He

1 is on his way, which I think he's on his way
2 from the airport to here, so he should be here
3 rather shortly. And if you have the patience to
4 wait for a few minutes, as soon as he gets here,
5 we'll begin. He does know that he's scheduled
6 at 11 o'clock and it is 10 of right now so we
7 will give him the benefit of those 10 minutes.

8 (Brief recess taken from the 10:50 a.m.
9 to 11:05)

10 ACTING CHAIRMAN BIRMELIN: We are ready
11 to proceed again, if we could.

12 Mr. Robert Sprecher, am I pronouncing
13 that correctly?

14 MR. SPRECHER: Yes, you are. Thank you
15 very much.

16 ACTING CHAIRMAN BIRMELIN: Welcome to
17 the Pennsylvania Judiciary Committee
18 Subcommittee on Crime Prevention and Corrections
19 hearing on the issue of privatization of
20 prisons. We understand that you are rushed a
21 little bit this morning so I want you to take
22 your time --

23 MR. SPRECHER: Yes.

24 ACTING CHAIRMAN BIRMELIN: -- and not
25 be in a hurry.

1 MR. SPRECHER: Thank you.

2 ACTING CHAIRMAN BIRMELIN: Several of
3 the members had to leave and they, perhaps, were
4 not even sure whether or not you could make it
5 and I apologize for their early departure. And
6 although you weren't scheduled until 11, we were
7 finished with the last testifier a few minutes
8 before that.

9 MR. SPRECHER: I see.

10 ACTING CHAIRMAN BIRMELIN: Let me tell
11 you that the bill that is in question, House
12 Bill 246, deals with the issue of privatization
13 in prisons in Pennsylvania, but we are using the
14 public hearing as a much larger forum to discuss
15 the issue as a whole. Even though the bill in
16 particular doesn't deal with all issues of
17 privatization, feel free to discuss any issue
18 that you would like to.

19 MR. SPRECHER: Okay.

20 ACTING CHAIRMAN BIRMELIN: Also the
21 information that you have, we have a copy up
22 here, will also be distributed to every member
23 of the House Judiciary Committee as well as the
24 prime sponsor of the bill, who is not a member
25 of this Committee --

1 MR. SPRECHER: Right

2 ACTING CHAIRMAN BIRMELIN: -- as well
3 as to the Senate Chairman of our Judiciary
4 Committee, who I personally had discussions with
5 on this issue, is very concerned about it as
6 well. And then with his staff, I am sure he
7 will share that information. So, while you are
8 only looking at three people here, I can assure
9 you that your trip from Florida will benefit
10 more than it appears to at the moment.

11 MR. SPRECHER: Oh, I understand that.

12 ACTING CHAIRMAN BIRMELIN: So, I do
13 welcome your presence and ask you to make your
14 presentation as you are welcome to.

15 MR. SPRECHER: Thank you, I appreciate
16 you according me the opportunity to talk a
17 little bit about out-sourcing of government
18 services before this Committee and in the
19 Commonwealth. We opted not to come with a
20 corporate brochure after reviewing some of the
21 testimony and statements that have been
22 disseminated over the last day or so. I took
23 out a document from my computer that
24 specifically addresses nine points that are
25 specific to the privatization of correctional

1 facilities. And I wanted to talk a little bit
2 about both our company and the industry and the
3 history of privatization in the United States
4 and abroad. So with that in mind, I think I
5 would like to share with you all some concepts
6 about the contracting of design, finance,
7 construction, and operations of correctional
8 facilities, beginning in the 1980s.

9 Today, there are more than 90
10 facilities worldwide that are privately
11 operated. Our firm, Wackenhut Corrections
12 Corporation, formerly a subsidiary of the
13 Wackenhut Corporation, is responsible for 22
14 contracts in the United States, in Puerto Rico,
15 in England, in Australia and now in Canada. We
16 have over 14,000 prisoner bed spaces in either
17 development or under our control and operation.

18 We really grew out of our parent
19 company's service to government. As you all may
20 know, the Wackenhut Corporation has been in
21 business since 1954, providing security at
22 places such as the Nevada Nuclear Test Site,
23 Savannah River plant, Rocky Flats, airports,
24 embassies and government installations all over
25 the world.

1 We initiated our entry into the private
2 correctional market with a contract with the
3 Immigration and Naturalization Service in
4 Aurora, Colorado in 1986. The INS found itself
5 in a tremendous crowding problem in the Denver
6 Metropolitan area. I know that because I was a
7 jail commander at the Arapaho County Jail, one
8 of the largest suburban jails in Denver, and we
9 were consistently having to turn away detainees
10 of the Immigration and Naturalization Service in
11 favor of felons that had violated our local
12 laws.

13 INS asked Wackenhut to design, build
14 and operate a 150 bed detention facility and the
15 requirement was that the facility be operational
16 within 90 days of the signing of the contract.
17 Wackenhut was able to do that because of the
18 speed and the commitment to client services that
19 it has typically shown in its history. That is
20 our oldest and longest running contract and that
21 contract is now 300 beds that primarily deals
22 with criminal law detainees rather than the
23 unlawful immigrants that at first was envisioned
24 to handle.

25 I mention that because privatization of

1 correctional institutions has really been about
2 a decade-old concept. However, privatization of
3 other types of correctional services: food,
4 medical, commissary, in some cases, community
5 corrections and probation has been going on much
6 longer than that. As a matter of fact, the
7 Salvation Army and the Volunteers of America
8 have begun privatization initiatives in the late
9 '50s and early '60s, in providing services to
10 states such as Florida for probation supervision
11 and other types of community-based programing.

12 I would like to turn now to the nine
13 basic questions that I have distilled about
14 correctional privatization and just talk in turn
15 about what prison privatization is and isn't.

16 Second, why can't the public sector
17 adopt private sector methods and save even more?
18 Because, after all, the public sector doesn't
19 need to make a profit.

20 The third question is, won't a company
21 focus on the bottom line, rather than the rights
22 and needs of the incarcerated population and the
23 client?

24 Will that result in a lower quality of
25 safety and security, both the staff and prison

1 and the government contractors?

2 How do we know that a company will do
3 all that it's promised to do?

4 Is it wrong for the government to
5 contract out what some perceive as a core
6 governmental responsibility?

7 Will a contractor lowball its first
8 bid, a few years bid and then raise its fees
9 once the government is dependent on those bed
10 spaces?

11 Seven, since a company gets paid a fee
12 for the prisoners it keeps, won't it try to
13 increase the amount of time, rather than
14 decrease the amount of time when a prisoner
15 stays in prison?

16 Is it wrong for a company to make a
17 profit from the suffering of others?

18 And, in the ninth question is one
19 that -- like I say, I pulled this out of the
20 computer this morning in response to the
21 testimony that I read yesterday -- why should a
22 company be involved in prisons, period? And why
23 should a Florida company be involved in
24 Pennsylvania corrections?

25 Well, let's turn to number one. What

1 specifically is prison privatization or
2 out-sourcing? Really, pretty strictly speaking,
3 privatization is a misnomer. It really deals
4 with private sector financing and ownership of
5 infrastructure traditionally financed and owned
6 by the public sector. It's commonly now
7 considered to be the operation of prisons by a
8 private firm, such as us and some of our
9 principal competitors.

10 Why can't the public sector adapt
11 private sector methods and save even more since
12 the public sector doesn't need to make a profit?

13 I worked 20 years in corrections and
14 law enforcement and have been a correctional
15 planner for government for the last six years
16 before joining Wackenhut. The last five years
17 of my experience was a captain of a detention
18 division with a \$15 million budget in the Denver
19 Metropolitan area. I never went before the
20 sheriff or the Board of County Commissioners and
21 told them that I had not spent all the money
22 that they had given to me the year before. And
23 I don't know of any department representatives
24 that I have worked with that have reported a
25 substantial failure to spend all the money that

1 was appropriated to them.

2 I have never seen governments, with the
3 exception of Colorado recently, announcing a
4 rebate in tax revenues collected and sending
5 money back to the taxpayers. That anomaly was
6 as a result of a constitutional amendment that
7 passed about two years ago and people were
8 actually getting refund checks for taxes not
9 spent. But it doesn't happen very often and
10 certainly doesn't happen in many places.

11 The point is not whether or not public
12 sector agencies operate efficiently, because we
13 know that many do. Unfortunately, in the
14 criminal justice arena, those efficiencies are
15 shunted aside by the growth in the criminal
16 justice trends that we have seen over the last
17 decade that adds to the number of staff, that
18 increases the capital investment that the
19 Commonwealth is required to provide, and really
20 is buried in the operational inefficiencies that
21 sometimes come as growth is forced on the public
22 sector.

23 Despite the best efforts of government
24 employees, the implementation of total quality
25 management and other business based philosophy,

1 I don't know of any governmental agency that is
2 able to sharpen its pencil as effectively as the
3 private sector and that's because we really do
4 understand what the costs of providing the
5 services that we deliver are. I would think
6 that in some states and in some cities, you
7 could call up the Public Works Department and
8 ask them, you know, how much it costs to fill a
9 two by -- two-foot by one-foot deep pothole.
10 Many places you could call up the Public Works
11 Department and they would have no idea of what
12 that cost is. But, if you would call up a local
13 paving contractor and asked him what it would
14 cost to fill up a two foot by two foot by one
15 foot pothole, he would know to the penny what
16 his expenses are and what it would cost you to
17 get that work done. That's the inherent
18 difference between the public sector and the
19 private sector, I think, with respect to
20 operating efficiencies.

21 The third question is one that is
22 typically asked, particularly by both elected
23 and appointed officials: Won't a company focus
24 on its bottom line rather than public safety,
25 security of staff, the prisoners and the

1 government? Will we pay our employees less
2 money? Will we serve prisoners less food and of
3 lower quality? Will we provide fewer prisoner
4 programs? When people ask those questions, they
5 do so with a misunderstanding of the role of
6 private providers in delivering services to
7 government.

8 This is a labor intensive industry and,
9 quite frankly, we compete against the
10 Commonwealth of Pennsylvania, Department of
11 Corrections, and the Allegheny County Department
12 of Corrections and the local sheriff's
13 department for employees. If we pay
14 substantially lower wages than those people,
15 then we will find ourselves nothing more than a
16 training ground and our turnover will reflect
17 that. We won't be able to keep the kind of
18 quality employees necessary to meet the needs of
19 our contracts.

20 We have, over the last five years, been
21 tracking our turnover statistics at all of our
22 institutions throughout the United States. We
23 have fewer than 10 percent of our employees
24 leave every year, and that's a reasonably
25 competitive record that I think that you all

1 need to be aware of. We have long-term wardens,
2 sergeants, captains, corrections officers,
3 counselors and teachers, who have been with us
4 in some cases since 1986.

5 Would we deliver low-quality food?

6 Well, in the case of an army, an army marches on
7 its stomach and a prison is not particularly
8 different. You can fool with just about
9 anything, in terms of prison programs, but mail,
10 visiting and food are the three legs of the
11 tripod that keep the prison operating safely and
12 maintain the security of the institution.

13 Believe me, you are never going to save any
14 money if you cut the quality and quantity of
15 food service. You may save it today, but
16 tomorrow, believe me, the inmate population is
17 going to make you pay for it in ways that you
18 had never imagined.

19 The quality of prisoner rehabilitation
20 programs that we deliver, I think, is important
21 to recognize. As you know, the Commonwealth is
22 considering the competitive out-sourcing of a
23 drug rehabilitation center that's currently
24 under construction in the eastern part of the
25 state, and we now operate the largest in-prison

1 therapeutic community for drug offenders in the
2 not-so-free-world, in Texas. Our Kyle, Texas
3 facility has 520 hardcore addicts, members of
4 the Texas institutional population that have
5 served, in some cases, 15 and 18 and 20 years,
6 behind the walls of maximum security units in
7 the State of Texas. These people are finally
8 being given an opportunity to break the chains
9 of the addiction through intensive programing
10 immediately prior to their release.

11 Rice University and Southern Methodist
12 University have done a study on our Kyle, Texas'
13 success ratios and found that it's tripled what
14 the success ratios that existed or have been
15 reported by Texas Division of Criminal Justice
16 agencies. We see recidivism rates of less than
17 20 percent out of the Kyle facility. These are
18 hardcore poly-drug addicted individuals who have
19 spent years and years behind the walls. We're
20 very proud of that. We're also very proud of a
21 facility not more than about 40 miles away that
22 is a prison industry program that is completely
23 innovative in its approach to bringing jobs that
24 are now in Mexico back into the United States
25 and using them as pre-vocational opportunities

1 for inmates who are also going to be released
2 from the Texas prison system.

3 In that instance, we have an optical
4 grinding plant, we have a computer circuit board
5 assembly and disassembly program, and we have an
6 air conditioning component manufacturing
7 facility behind the walls of the Lockhart
8 facility. All three of these particular work
9 opportunities were brought to the United States
10 by American companies who felt that they would
11 rather be doing business with Wackenhut and
12 Texas prisoners than they would with Mexican
13 citizens and the Mexican government. Far be it
14 from us to take jobs away from American
15 citizens. We would much rather bring jobs back
16 to the United States and give these men, and the
17 women at the other facility next to them,
18 legitimate articulable demonstrated job skills
19 and a stake in their future. These people don't
20 make the typical prison two dollars a day. They
21 make free-world wages. They earn four
22 twenty-five an hour. They apply to get into the
23 vocational program just as you or I would apply
24 to get the job that we wanted. They leave
25 prison with, in some cases, a stake of three or

1 \$4,000 that affords them the opportunity to rent
2 an apartment, rejoin their family, buy an
3 automobile, furnish themselves with the tools
4 necessary to become a productive taxpayer as
5 opposed to a tax user.

6 The other significant savings that we
7 like to talk a little bit about this morning are
8 in the operation of our construction efforts.
9 We're typically able to save between 15 and 25
10 percent of the construction cost as opposed to
11 what the public sector is able to provide.
12 Typically, government engages in plan, design,
13 bid, build approaches to developing prisons,
14 often taking from 36 to 48 months before you
15 have a new facility on line. As an example, in
16 Pennsylvania, using the publicly bid procurement
17 for the Delaware County Prison, we anticipated
18 that that 1600-bed institution will be finished
19 in 20 months.

20 Now, that has all of the security
21 categories and classifications from minimum
22 security to maximum security, pretrial
23 detainees, and we're able to deliver it, not
24 only on a fast-track schedule, but substantially
25 under the budget that was originally projected

1 for that facility. We believe that it will save
2 Delaware County approximately \$20 million in the
3 provision of that building. Certainly something
4 that the taxpayers of that particular community
5 in Pennsylvania would welcome.

6 In operations, we typically save between
7 10 and 15 percent over the efficiencies that the
8 public sector operates at. I know there has
9 been testimony before this Committee that
10 privatization doesn't really save any money,
11 that the argument, of course, exists that we
12 simply hide our costs or we don't take into
13 consideration efficiencies that the public
14 sector provides. I can tell you that the Texas
15 Performance Review, which was done by the Texas
16 State Auditor in 1991, identified 11 percent
17 savings, across the board, between private
18 prisons and public sector prisons in Texas.
19 When you add to that the taxes that are paid by
20 the private sector operators, the savings go up
21 to approximately 14 percent. Now, there is not
22 anyone in our community, where I live and in
23 your communities where you live, that wouldn't
24 like to see government operating at 15 percent
25 more efficiently than it presently is operating.

1 We're able to do that by designing out
2 staffing redundancies and buildings. We're able
3 to do that by providing high quality, and, in
4 many cases, part-time and flexible schedules to
5 our employees. We figure that the operating
6 expense of a prison is roughly 80 percent
7 represented in salaries over time. And so if we
8 can eliminate just one redundant post, we will
9 save a hundred thousand dollars a year. If we
10 can eliminate several redundant posts without
11 comprising security and safety, then over the
12 30-year life cycle of a prison, we're talking
13 about hundreds of millions of dollars.

14 A prison designed by the private sector
15 is the best guarantee of a prison that will
16 maximize safety and security and cost
17 efficiency.

18 As important as staffing redundancies
19 is control of sick time, vacation times, and the
20 introduction of private sector procurement that
21 reduces red tape and bureaucratic
22 inefficiencies. And, we use those, our ability
23 to buy quickly, at local prices, to keep our
24 costs down.

25 The fourth question, how do we know

1 that a company will do all that they had
2 promised to do when it signed a contract? This
3 critical issue of accountability is something
4 that we deal with on a daily basis. Private
5 operators, in effect, are more accountable to
6 government than public sector representatives of
7 the Department of Corrections.

8 There are really seven factors that we
9 can consider here. First, the terms of the
10 contract. They provide a built-in set of
11 standards that you all can hold us to. Second,
12 a facility based monitor, generally the public
13 agency that is responsible for administering the
14 contract puts a full-time contract monitor in
15 the facility with access to employees, to
16 inmates, to records, to papers, to staff
17 meetings, and all of the activities that go on
18 inside the prison.

19 Generally, there is also an annual
20 government audit and I noticed in your bill
21 there are provisions for government audits of
22 the private sector. These are sometimes done by
23 the agency administering the contract and
24 sometimes done by state auditing agencies or the
25 treasurer or the comptroller to provide an

1 additional check on whether or not the
2 Commonwealth is getting what it intended to.

3 Finally, we, of course, have in-house
4 corporate auditing that stays on top of not only
5 costs but other issues such as grievances.

6 The private sector is not immune from
7 liability. As a matter of fact, in most cases,
8 the private sector has greater exposure to
9 liability than the public sector does. Our
10 employees don't have the qualified governmental
11 immunity that employees of the Commonwealth
12 have. Punitive damages can be assessed against
13 the corporation where punitive damages are not
14 assessed against governmental employees or
15 agencies. So we have a vested interest, and our
16 stockholders certainly make certain that we hold
17 this interest in high regard, to maintaining a
18 facility that deals with employee and inmate
19 grievances efficiently and effectively and
20 prevents lawsuits from being filed against us
21 and against our client agency.

22 The other things that really keep our
23 capabilities as sharp as they can, is the fact
24 that we're generally asked to accredit, by the
25 American Correctional Association, any facility

1 that we contract with. This accreditation is a
2 review of our operating practices, policies and
3 procedures by individuals from other agencies
4 using best practices in the industry as
5 published by the American Correctional
6 Association.

7 The sixth issue is competition among
8 other private operators. They, obviously, help
9 us keep our pencils sharp.

10 Finally, a vigilant media, and scrutiny
11 that occurs with respect to our operations by
12 the media, make certain that we do what we are
13 required to do. You know, we're all familiar
14 with what goes on in schools and how hospitals
15 work and libraries and state capitol buildings,
16 because these are public institutions that we
17 have contact with on a regular basis. Prisons
18 are entirely different. They are typically
19 shown to us in stereo-typical fashion by the
20 movies or the television programs that we see.
21 We know full well that routine, uneventful
22 activities at a private prison are likely to
23 attract scrutiny and criticism where these kinds
24 of things would never even be uncovered in
25 public sector prisons. So we have to act like

1 Caesar's wife and operate in a much more open
2 and much more forthright and proactive way than
3 governmental operations have had to operate up
4 to this point.

5 Is it wrong for the government to
6 contract out a core government responsibility?
7 Well, bear in mind, the government is not
8 contracting away its responsibility for care and
9 custody and control of prisoners in the state's
10 hands. That always remains in the government's
11 hand. In effect, what the government is doing
12 is contracting out certain of the day-to-day
13 activities to operate the prison while
14 maintaining the administrative or administerial
15 control that it has always had.

16 As we mentioned earlier, many of the
17 individual tasks within a prison have been
18 contracted out for years: services, food
19 services, facilities maintenance, parole,
20 probation services, community corrections. The
21 contracting out the complete package is a
22 difference of degree but not a difference of
23 kind.

24 For a number of years the United States
25 contracted out the operation of its Incoming

1 Missile Defense System in Colorado Springs,
2 NORAD, to the private sector. And I can't
3 imagine a more core governmental responsibility
4 than the protection of the United States from
5 foreign attack than that. And yet, that's been
6 very, very successful.

7 Will a company lowball its bid for the
8 first couple of years, get you hooked and then
9 come back in with a much higher price?
10 Operating contractor generally for a term of
11 about three to five years, we can't offer loss
12 leaders to our shareholders. We wouldn't stay
13 in business. As a matter of fact, our
14 competition makes sure that our prices are
15 carefully arrived at. They are keen. If we
16 were to try and figure that we will lose a
17 couple of hundred thousand dollars this year and
18 make it up next year, believe me, our
19 competitors would be taking our seat at the
20 negotiating table as opposed to us getting
21 invited back to the dance.

22 Since a company gets paid a fee for
23 every prisoner it keeps, won't it try to
24 increase the amount of time the prisoner spends?
25 Unless we develop a pill that cures criminality,

1 we're not going to need to worry about this
2 issue. I mean, we can't pick up a newspaper or
3 watch TV without hearing about the incredible
4 growth in both criminal conduct and society's
5 response to that criminal conduct. We don't
6 need to work for clients, sad to say, they are
7 always there.

8 Quite frankly, despite all the best
9 efforts that we have, demographics of the
10 offender population, tell us anyway, that the
11 causes and symptoms of crime are going to have
12 to be reduced before we have to deal with
13 worrying about where our next inmate is coming
14 from.

15 Isn't it wrong for a company to make a
16 profit on the backs of inmates, in effect, the
17 suffering of others? I think about this
18 regularly. H. L. Mencken once said that people
19 can be divided into two categories: those people
20 who divide people into categories and those who
21 don't. You can add to this distinction a line
22 between those people who intuitively sense that
23 there is something wrong about a private
24 operator providing incarceration and then you
25 can categorize the other group about that issue,

1 about who, what's the fuss. We contract
2 hospital services, we contract paving, we
3 contract in some cases collection of fines and
4 fees. We contract for the operation of landfill
5 and collection of trash. They are all things
6 that at one point or another, in one place or
7 another, were considered to be a core
8 governmental responsibility. The public sector
9 does receive a profit. It increases its budget
10 every year. It adds to its line staff. It's
11 not as visible as dividends that we pay to our
12 shareholders, but it certainly exists,
13 nonetheless.

14 The privatization of prisons is a
15 public-private partnership and that profit
16 sharing is something that you all can point to
17 your constituents and tell them that, in fact,
18 they are sharing in the efficiencies of the
19 private sector by paying reduced dollars for the
20 services that you all receive.

21 We're a service company. We have
22 always been a service company. Now, whether we
23 provide those services at airports in Nashville
24 or Memphis, embassies in countries around the
25 world, we profit from the services that we

1 deliver.

2 We feel that corrections, properly
3 administered, appropriately supervised and
4 correctly managed can be just as efficient as
5 those services that we have been providing to
6 government for the last 40 years.

7 We're not a franchise operation. You
8 get the Wackenhut Corporation when you hire the
9 Wackenhut Corporation. And the high quality of
10 the people that we attract from all of the
11 levels of the United States, and abroad,
12 demonstrate that without any question.

13 We have talked about the nine most
14 frequently asked questions about privatization.
15 There is generally a tenth question that is
16 asked when I am participating in a forum such as
17 this and that is, are you finished yet? The
18 answer is, yes, I am. But, I would be more than
19 happy to answer any questions that you all might
20 have about correctional out-sourcing and then
21 perhaps talk a little bit about the bill that is
22 before this Committee in particular.

23 ACTING CHAIRMAN BIRMELIN: Thank you,
24 Mr. Sprecher.

25 Representative Masland, do you have any

1 questions?

2 REP. MASLAND: Yes. Thank you.

3 First of all, we -- based on the
4 testimony of the first two people today,
5 basically have focused on this issue as being
6 one that boils down to a question of costs,
7 ultimately.

8 MR. SPRECHER: Um-hum.

9 REP. MASLAND: However, I did note that
10 in your testimony, you did also speak, I guess
11 about the fourth page, although you elaborated
12 on a little paragraph you had on
13 rehabilitation --

14 MR. SPRECHER: Um-hum, yeah.

15 REP. MASLAND: -- that rehabilitation
16 programs are a factor and you feel that you can
17 provide, I guess, improved rehabilitation within
18 your facilities compared to those in the
19 state-owned, state-run facilities, is that the
20 point that you are trying to get at there?

21 MR. SPRECHER: We take a different view
22 of rehabilitation. Quite frankly,
23 rehabilitation means to us an increase in
24 personal responsibility and an ability to manage
25 the prisoner population by maximizing their

1 inter controls rather than imposing controls
2 upon them.

3 And yes, we feel very strongly that
4 rehabilitation and habilitation, in some cases,
5 for young offenders, is an absolute necessity to
6 manage a prison properly.

7 REP. MASLAND: But, I think it was
8 important to get a little bit about that. I
9 think the problem needs to ultimately be looked
10 at a little bit more, because, obviously, the
11 focus of this issue is going to be on what cost
12 savings, if any, the Commonwealth can come up
13 with by privatizing.

14 A couple of specific things that some
15 of them relate to your comments and some things
16 that were said yesterday and I don't know if you
17 had a chance to read over some of the testimony
18 of the gentleman who testified at the end of the
19 hearing yesterday who was involved in the
20 private prison industry. And he talked about
21 House Bill 246 requiring someone to monitor, and
22 I forget whether it's an in-house monitor or how
23 it is, but his concern was that there should be
24 a monitor for the monitor. And my question is,
25 where does that end and do you see a need for

1 that? Aren't we really talking about an
2 incredible amount of regulation when it gets
3 right down to it?

4 MR. SPRECHER: Yeah. And, quite
5 frankly, in the early stages of considering this
6 concept of out-sourcing, there are controls that
7 are imposed that are later found to be less
8 necessary than they were initially envisaged.

9 For example, in Texas, which has had an
10 experience with private corrections over the
11 last decade. They began with in some cases two
12 and sometimes three monitors in a facility, each
13 focusing on a specific area. As the department
14 grew more familiar with the concept of
15 privatization and the private operators became
16 more familiar with the methods of monitoring
17 that were being employed, they have
18 incrementally reduced those monitors to one and,
19 in some cases, shared responsibility, because
20 the contract monitors who had begun to really
21 understand what is going on in the institution.
22 It doesn't add a layer of bureaucracy that is
23 not necessary. It really stands to assure the
24 taxpayer that they are getting the best bang for
25 the buck. It is more than adequately

1 compensated by the savings that are provided.

2 I can't imagine a situation where the
3 monitor has to be monitored. Where I can see is
4 that periodic annual reviews or biannual
5 reviews, depending on the Legislature's wishes,
6 could do a global evaluation of privatization in
7 general while the contract monitor focuses on
8 specific issues in terms of the contract.

9 REP. MASLAND: I had kind of an
10 open-ended question that ties in a little bit
11 with the monitoring and that deals with your
12 relationship obviously in other states to the
13 Department of Corrections on the one hand, which
14 oversees you, and in those states that do have
15 parole because not everybody does have parole
16 but a Board of Probation and Parole, is there
17 any tension there? Or how do you really relate
18 to the Board of Probation and Parole when they
19 want to make sure that this prisoner has been
20 rehabilitated or habilitated, or whatever, has
21 complied with all the program requirements
22 before they let him out early?

23 Is their intention to try to hold them
24 back rather than say you have plenty of people
25 waiting in line to get in?

1 MR. SPRECHER: No, believe me. And
2 they're -- and as those of us who are baby
3 boomers grow older, there are others to take our
4 place.

5 No, we have a very solid relationship
6 with the Board of Pardons and Paroles. We
7 typically, as do state institutions, provide an
8 individual treatment plan or a case management
9 summary at the outset of a person's transfer to
10 our institution. And then we comply with that
11 and we provide written reports and other
12 documentation that describes the prisoner's
13 adjustment to incarceration and give the Parole
14 Department the information that they need to
15 make those kinds of decisions.

16 We really don't have any intention. As
17 a matter of fact, it is interesting that you
18 mention that. The Lockhart facility that I
19 mentioned, which has the industry's program, is
20 actually operated on behalf of the Texas Board
21 of Pardons and Paroles on the male side and the
22 500-bed female side is operated by the Texas
23 Division of Criminal Justice Institutional
24 Division. So, we serve two masters at that
25 thousand-bed facility and I think do it

1 reasonably well.

2 We also provide return to custody
3 services for Pardons and Paroles. When
4 technical parole violators or substantive parole
5 violators are returned to custody, in San
6 Antonio, for example, or in McFarland,
7 California, as another example, we take those
8 returnees and basically provide the services
9 required to shock them out of their complacency
10 before they are either returned all the way to a
11 major institution or put back out on the street
12 at the discretion of the Parole Board.

13 REP. MASLAND: So, you are kind of an
14 interim stop category. You also, in San
15 Antonio, are running any of the prisons centers
16 there?

17 MR. SPRECHER: San Antonio is a unique
18 facility. It has virtually every kind of
19 correctional classification that you can
20 imagine. It's a 7-story high-rise and so the
21 floors allow for classification separation of
22 offenders.

23 We took that facility over after it was
24 given to us by Bear County, Texas. It had been
25 abandoned by them when they had built the new

1 correctional facility as a result of the court
2 order. They asked us if there was a way that we
3 could help them use this piece of real estate
4 and turn it from a non-performing asset into one
5 that provides funds to the general revenues of
6 the county. We worked out an arrangement where
7 we were housing federal arrests there and
8 turning over all of those revenues to the
9 county. We're also housing women for the Texas
10 Board of Pardon and Paroles on one of the
11 floors, where we have a very successful mothers
12 and their children program.

13 State of Oklahoma has recently
14 contracted in Texas for bed spaces, amounting to
15 about 500 places for inmates. Their toughest
16 inmates were sent to us at the San Antonio
17 facility. We have people there that are serving
18 double-life sentences; life sentences, plus a
19 hundred years; we have some very, very,
20 dangerous maximum security prisoners in that
21 facility, and in our 1500-bed prison in the
22 State of Louisiana.

23 There is a misconception about private
24 providers only being able to deal with minimum
25 or medium security prisoners, but that's simply

1 not been borne out in reality. We often find
2 ourselves taking care and custody of some of the
3 most serious criminals that the states that we
4 operate in have to maintain custody of.

5 REP. MASLAND: You answered my one
6 question about whether you're capable, and
7 obviously you feel you are, of handling the
8 high-risk offenders as opposed to just those
9 that would be in a minimum security setting.

10 MR. SPRECHER: Yes.

11 REP. MASLAND: You may have noted in
12 yesterday's testimony that the one individual
13 felt that there should not be a restriction as
14 there is in House Bill 246 on out-of-state
15 prisoners. What are your thoughts on that?

16 MR. SPRECHER: I think that the
17 Commonwealth of Pennsylvania needs to address
18 the needs of the Commonwealth in this House Bill
19 246, initially. And that as privatization
20 becomes more well-known and understood, then
21 there will be opportunities to modify the
22 framework under which it's operating. At this
23 point, quite frankly, I see the need for
24 specific legislative authorization to deal with
25 Pennsylvania issues. And out-of-state prisoners

1 are something that I think is outside the scope
2 of what I was hoping to talk with you all about
3 today.

4 I do think that some of the
5 restrictions in the bill, since we have begun
6 talking a little bit about that, are things that
7 need to be carefully considered by both the
8 House of Representatives and the Senate.

9 First, the limits on the type of
10 inmates, the security classifications of those
11 inmates need to be carefully considered.
12 Because those security classifications are
13 generally subjectively arrived at by the
14 reception and diagnostic personnel that
15 initially interview and classify those inmates.

16 And, as I have talked with you all
17 about this morning, we have housed people that
18 have committed dangerous, dangerous heinous
19 offenses, successfully: over 10 million
20 mandates, we have had five incidents of escape.
21 So, in our 10-year history of operating prisons
22 in the United States, we have had five incidents
23 of escape.

24 In one case, the two guys that climbed
25 over the fence, came back to the facility and

1 were caught coming back in. They changed their
2 mind down the road. These were minimum security
3 offenders.

4 Only two of those five incidents could
5 truly be considered escapes in the traditional
6 sense of the word. Those people were both
7 recaptured before committing additional crimes.

8 In Allen Parrish in Louisiana, we have
9 dogs, bloodhounds, horses, and, you know, the
10 type of equipment and personnel necessary for a
11 large agricultural operation like that and it
12 maintained a high level of security. Certainly,
13 one that satisfied the State of Louisiana during
14 the terms of our contract there for the last
15 five years.

16 REP. MASLAND: Thank you. I have no
17 further questions.

18 MR. SPRECHER: Yes.

19 ACTING CHAIRMAN BIRMELIN:
20 Representative James.

21 REP. JAMES: Thank you. Thank you, Mr.
22 Chairman.

23 Thank you for your testimony and I
24 appreciate the way that you have it outlined, in
25 terms of the questions and then responded. It

1 makes it real easy and I think that's good. I
2 guess that goes with the experience.

3 MR. SPRECHER: Well, this is my first
4 experience. I have never testified before a
5 legislative committee in my life.

6 REP. JAMES: You sound like a
7 politician.

8 MR. SPRECHER: And I appreciate the way
9 that it has gone so far.

10 REP. JAMES: Okay. Well, let me start,
11 when you just say something about the escape. I
12 wanted to ask about the recidivism as compared
13 to regular or other facilities. What have you
14 determined or to be your rate versus the public?

15 MR. SPRECHER: There have not been
16 studies done other than at our Allen Parrish
17 facility and our Kyle, Texas facility, because
18 recidivism has so many faces that it is hard to
19 get a handle on it. For example, if someone
20 leaves prison and two years later is arrested
21 for shoplifting, are they a recidivist? In some
22 strict interpretations, you would say yes. If a
23 substance abuser slips, is he a recidivist?
24 Perhaps. But, is it likely that slips are going
25 to occur to people who have substance abuse

1 problems that have not been incarcerated? The
2 answer, of course, is yes.

3 I can say that specifically we -- in
4 the SMU study of our Kyle facility, the 22
5 percent of recidivism means that we follow these
6 people for 5 years after they have left the
7 facility and only 22 percent of them have gotten
8 involved with drugs or alcohol to the extent
9 that it has caused them to commit a new crime or
10 been involved in a new crime. That's, I think,
11 something that is very credible.

12 We have not -- nor have very many of
13 our client agencies -- studied recidivism
14 because of the follow-up requirements and the
15 confidentially requirements that we're sometimes
16 bound by. For example, we don't have access
17 initially to criminal justice arrest information
18 because we're a private entity. Now, our
19 contract monitor, when we propose an individual
20 for employment at one of our facilities, we go
21 through a series of background investigations,
22 credit, prior employers, court records that show
23 convictions, drug and substance abuse testing,
24 but we can't link with NCIC and find out
25 arrests. So, we rely our contract monitor to

1 help us with that information, and we provide
2 them with an individual who is otherwise
3 qualified. And they tell us, yes, this person
4 is authorized to enter the grounds of the prison
5 or, no, this person is not authorized to enter
6 the grounds of the prison. So, they have the
7 final check in the system of checks and balances
8 that we engage in.

9 Unfortunately, because of that same
10 confidentially requirement, we're not always
11 able to get the information about subsequent
12 arrests of offenders who have been in our
13 custody.

14 REP. JAMES: Okay. That is something,
15 I guess maybe can be done through the contract
16 monitor --

17 MR. SPRECHER: Yeah.

18 REP. JAMES: -- or put in the contract.
19 I just think it may be good to compare or --

20 MR. SPRECHER: I do too. Louisiana did
21 something that was very similar to that when
22 they built three prisons: one that is being
23 operated by the state, one that is being
24 operated by CCA and one that is being operated
25 by Wackenhut. They are identical institutions

1 and they not only evaluated programs but they
2 evaluated cost. I think we're first, the state
3 is second, CCA is pennies apart. But it also
4 has to do with the way they count their costs
5 and the debt service recovery. But that's
6 perhaps the best learning laboratory that exists
7 in America right now for privatization.

8 REP. JAMES: Do you consider -- your
9 company, do you consider you're number one in
10 the industry?

11 MR. SPRECHER: Well, I certainly think
12 we are. Now, some of our competitors have a few
13 more beds than we do, but I think that we
14 certainly are the recognized leader in
15 correctional privatization.

16 REP. JAMES: Who would you say would be
17 number two?

18 MR. SPRECHER: I would say the
19 Corrections Corporation of America would be
20 number two.

21 REP. JAMES: They have more beds than
22 you?

23 MR. SPRECHER: They have more beds.
24 Just because they have a bigger warehouse
25 doesn't necessarily mean that... We have really

1 approached privatization from the standpoint
2 that general incarceration is not our stock in
3 trade, specific populations, both pretrial
4 detainees and county jail offenders, the drug
5 abusers that I talked about in Kyle, the female
6 population, juvenile offenders, those are all
7 niches in the criminal justice system that I
8 think, in some cases, state Departments of
9 Corrections are very interested in developing a
10 partnership with the private sector to provide
11 those services.

12 Women, right now, is the fastest
13 growing demographic population of offenders in
14 many parts of the United States. They're
15 growing even faster than juvenile males. And so
16 that's a niche that is important to recognize
17 because you can't just overlay a male prison on
18 a female population and expect to have things
19 work as you have intended them to work.

20 REP. JAMES: Being that you said that,
21 do you have an age on the women population that
22 is rising as the age group and that you're able
23 to determine?

24 MR. SPRECHER: Generally, it's -- No.
25 It's adult women that are growing at much

1 greater rates, and I don't know, quite frankly,
2 what to attribute it to. I see more women
3 prosecutors and more women on the bench and
4 whether or not that has an impact on sentencing
5 practices or not, I don't know. But, I can say
6 that women tend to be growing at a greater rate.
7 We have girls in custody for maximum security
8 offenses that are as young as twelve.

9 REP. JAMES: It raises another concern
10 I had, and I just want to make sure I
11 understood. You said something about you had a
12 facility that has seven floors?

13 MR. SPRECHER: Uh-hum.

14 REP. JAMES: And in that facility you
15 had a floor that had women and children?

16 MR. SPRECHER: Actually women. And, we
17 have a program so that they can maintain contact
18 with their children.

19 REP. JAMES: Okay. And also I thought
20 you said, and that you also have people doing
21 double life terms?

22 MR. SPRECHER: Um-hum.

23 REP. JAMES: In the same facility?

24 MR. SPRECHER: Yes.

25 REP. JAMES: That is only separated by

1 floors?

2 MR. SPRECHER: Yes. Obviously, the
3 more secure floors are higher up.

4 REP. JAMES: Okay. What is interesting
5 about that, I don't know if those inmates, do
6 they have one general area that they can go to,
7 do they ever go between floors?

8 MR. SPRECHER: Oh, sure. On secure
9 elevators. But that is pretty consistent,
10 Representative, with high-rise urban jails. In
11 an urban jail, for example, in Philadelphia or
12 Pittsburgh or elsewhere, you are going to have
13 population sub-groups that include maximum
14 security offenders, males; maximum security
15 offenders, females; special needs inmates who
16 may be mentally ill, females; county jail
17 sentenced DUI offenders, all in the same
18 environment.

19 Classification and separation and
20 dynamic security provided by staff are what make
21 that facility operate efficiently.

22 REP. JAMES: Okay. What is your basic
23 policy for hiring from the community?

24 MR. SPRECHER: We generally engage in a
25 job fair before every facility opens. Now, in

1 the case of our recent experience here in the
2 Commonwealth, we had correctional officers that
3 were already employed by the Delaware County
4 Board of Prison Inspectors and we offered them
5 the first opportunities to take those positions
6 at the Delaware County prison and 96 percent of
7 them did that.

8 To make up the shortfall of the four
9 percent, we advertised in the local paper, the
10 Delaware County Times, and we sought people who
11 lived in the area, interviewed them, screened
12 them, and a class with many of those people is
13 starting next Monday.

14 REP. JAMES: What about as it relates
15 to African-Americans and minorities?

16 MR. SPRECHER: We have typically
17 engaged in, historically, under utilized
18 business recruitment, not only because many
19 states and units of local government have those
20 same goals but because it's good business. If
21 we can hold a vendor fair and teach somebody how
22 to be a good businessman or a good
23 businesswoman, then they're going to open up the
24 store on Sunday afternoon when we need a piece
25 of hardware. That's how we have always looked

1 at it. You know, we could do business with
2 companies like, well, large national companies
3 and order our three-phase motors to replace the
4 ones in the air conditioner from them. But,
5 they wouldn't open their store on Saturday
6 afternoon if we need to get a critical piece of
7 equipment, and that's how we typically work.

8 REP. JAMES: Well, you know, this is
9 just a concern, you know, that I think we need
10 to encourage participation with small businesses
11 and minority businesses.

12 MR. SPRECHER: Absolutely.

13 REP. JAMES: It seems as though that
14 you have all of these good documents and these
15 figures --

16 MR. SPRECHER: Um-hum.

17 REP. JAMES: -- why won't the state,
18 instead of just having you operate the prison,
19 just hire you as a consultant just so that we
20 can run operations just like you're doing?

21 MR. SPRECHER: Well, I was a consultant
22 for six years working with government in this
23 state and other states around the country. I
24 did the transition and activation of the
25 Allegheny County Prison located in Pittsburgh.

1 Consulting is an environment where I
2 borrow your watch to tell you what time it is
3 and then some consultants walk off with it.
4 There are inherent deficiencies that we bring to
5 the table that are almost impossible to
6 replicate and that's where we provide the
7 service to government.

8 REP. JAMES: All right, the other
9 concern I have is just that, you know, what
10 happens to the unions or the employees of the
11 government as you come in and because you don't
12 want to lose those employees, you want to make
13 sure that they are hired, is that part of the
14 contract negotiations?

15 MR. SPRECHER: Generally, the contract
16 doesn't tell us who to hire. But it is just
17 good business to hire people who are adequately
18 trained and understand the ins and outs of a
19 facility, in the event, that you are talking
20 about a transition from county to private or
21 state to private. We have had unions in some of
22 our correctional institutions. As a matter of
23 fact, we had to, in Australia, negotiate a union
24 contract before we actually had the contract
25 with the government of New South Wales.

1 In Allen Parrish, Louisiana, we had a
2 correctional officers' bargaining unit that was
3 formed shortly after we opened the prison. It
4 remained a viable entity until 1994 when the
5 members themselves petitioned for
6 de-certification in the union and kept the union
7 dues that they were paying in their pocket
8 rather than paying it to a collective bargaining
9 unit.

10 We're more than happy to work with the
11 employees, both collectively and individually,
12 to make sure that they've got an environment
13 that they want to come to work in, that they're
14 not going to abuse sick time at. And as you
15 have seen in our situation in Delaware County,
16 we hired virtually everybody that was on the
17 current payroll and are paying them base wages
18 that are, in fact, larger, greater than the
19 county's base wages.

20 REP. JAMES: So, and my last question,
21 do you have -- so you do, some of your
22 facilities do have unions?

23 MR. SPRECHER: Yes.

24 REP. JAMES: Okay. Thank you.

25 Thank you, Mr. Chairman.

1 ACTING CHAIRMAN BIRMELIN: Mr.
2 Sprecher, I don't have any questions for you,
3 but I was very interested in the comments you
4 made about your Texas facility.

5 MR. SPRECHER: Um-hum.

6 ACTING CHAIRMAN BIRMELIN: And the low
7 rate of recidivism. I would be very interested
8 in knowing more of what you do there and I
9 wonder if you could provide that to myself and
10 Members of the Committee at a later date?

11 MR. SPRECHER: Um-hum.

12 ACTING CHAIRMAN BIRMELIN: It seems to
13 me that whenever I hear that somebody is doing
14 something right, we ought to be looking at that
15 and see what you are doing and maybe emulate
16 some of that here in Pennsylvania. Because we
17 do have very high recidivism rates here in
18 Pennsylvania.

19 MR. SPRECHER: I understand that.
20 Commissioner Horn and his staff asked the same
21 questions of us. And as a matter of fact in a
22 meeting that we had with him and his staff about
23 three weeks ago, we brought in Shirley
24 Livingston, the programs director from that
25 Kyle, Texas facility, to share with the

1 commissioner and his staff, information about
2 that facility. We have a document that
3 describes the program, the therapeutic community
4 concept and what the results have been. I would
5 be happy to send that to you once I get back.

6 ACTING CHAIRMAN BIRMELIN: Mr. Horn was
7 here about two and a half hours ago testifying
8 before you, but he couldn't stay. But, he had
9 indicated that he is going to visit your
10 facility in Louisiana. Did you invite him to
11 see your Texas facility at the same time?

12 MR. SPRECHER: Yes, I think we invited
13 him to see both of our facilities. The Allen
14 Parrish facility is the largest that we have
15 under one roof: inmates on about 900 acres of
16 land. I mean, it's a real medium/maximum
17 security prison. I think that he may have
18 wanted to go there to satisfy himself that our
19 security practices and our policies and
20 procedures can deal with more volatile inmates.

21 ACTING CHAIRMAN BIRMELIN: Do you have
22 the same programs in effect in the Louisiana
23 facility that you do in Texas?

24 MR. SPRECHER: No. The requirements of
25 that contract are such that we have substance

1 abuse education and treatment, but we don't have
2 the intensive therapeutic community.

3 ACTING CHAIRMAN BIRMELIN: So, he would
4 have to see the Texas facility?

5 MR. SPRECHER: He needs to go to Kyle,
6 Texas to see that.

7 ACTING CHAIRMAN BIRMELIN: Okay, I will
8 mention that to him.

9 MR. SPRECHER: Great.

10 REP. JAMES: Mr. Chairman, why don't
11 you go see it?

12 ACTING CHAIRMAN BIRMELIN: It is my
13 understanding that the liaison with the
14 Department of Corrections, who is here with us
15 today, Mary Beth Marschik, is going to approach
16 that subject with Commissioner Horn. I would
17 personally like to see if any legislators would
18 like to go... (inaudible). She had indicated
19 that the dates were May 28th, 29th and 30th and
20 I don't think we're in session that week. I
21 think that there are legislators interested
22 enough in going. We might be able to arrange
23 for that.

24 MR. SPRECHER: You know, I think that
25 that would have particular value, given the fact

1 that the Department of Corrections is
2 considering SCI Chester as perhaps a test bed
3 for this. Thirty miles away, less than -- well,
4 20 minutes away from Kyle is the Lockhart
5 facility that I referred to that has the
6 industry's program that provides free-world
7 wages and job skills. And so, if the two could
8 be combined, it's obviously a very, very short
9 drive and it shows you, I think, the depth of
10 our ability to deliver innovative programs.

11 ACTING CHAIRMAN BIRMELIN: How far is
12 it from the Louisiana facility to Kyle, Texas?

13 MR. SPRECHER: Well, Kyle is Austin,
14 Texas, so it's, perhaps --

15 ACTING CHAIRMAN BIRMELIN: That's quite
16 a ways.

17 MR. SPRECHER: -- from Lake Charles,
18 Louisiana to Austin, I think is about 600 miles.

19 ACTING CHAIRMAN BIRMELIN: Okay. Do
20 you have anything else you would like to share
21 with us?

22 MR. SPRECHER: No, I simply want to
23 thank you all for giving me the opportunity to
24 do this. I appreciate the fact that
25 Pennsylvania is carefully considering these

1 public policy issues and I am more than happy to
2 make myself available to individual Members of
3 the Committee and other Members of the House of
4 Representatives and the Senate to answer
5 specific questions about privatization.

6 REP. JAMES: I just thought of
7 something. In all of these, you have had
8 failures. I mean, success, a lot of successes,
9 not failures. What has been your worst failure?

10 MR. SPRECHER: I think the worst
11 failure that we have experienced was an
12 Immigration and Naturalization service contract
13 in New York, which we have currently
14 re-negotiated and are about to re-renovate a
15 facility. In that case, we had a landlord that
16 had a lease that expired during the term of our
17 contract with the INS and he asked to more than
18 triple the rent for the facility that we were
19 providing and that made things very difficult
20 for us. So, if there was a lesson learned
21 there, it was to ensure that the term of the
22 contract and the term of any ground or building
23 leases were concurrent with one another.

24 REP. JAMES: Thank you.

25 ACTING CHAIRMAN BIRMELIN: Okay. Thank

1 you, Mr. Sprecher and thank you for your
2 participation.

3 MR. SPRECHER: Yes. Thank you for
4 inviting me.

5 ACTING CHAIRMAN BIRMELIN: The
6 Committee is now adjourned.

7 (Whereupon, the hearing was adjourned
8 at 12:05 p.m.)

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C E R T I F I C A T E

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2
3 I, Roxy Cressler, Reporter, Notary
4 Public, duly commissioned and qualified in and
5 for the County of York, Commonwealth of
6 Pennsylvania, hereby certify that the foregoing
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17 Dated this 17th day of June, 1996.
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19 *Mrs. Roxy Cressler*
20

21 BY: Mrs. Roxy Cressler
22 Reporter
23
24
25